

Exhibit "A"

BP EXHIBIT 2

REDACTED

EXECUTION VERSION

PRODUCTION HANDLING AND OPERATING SERVICES AGREEMENT

FOR

MISSISSIPPI CANYON BLOCK 562 (ISABELA)

AND

MISSISSIPPI CANYON 519 UNIT (MC 519 UNIT)

PRODUCTION HANDLING

AT THE MISSISSIPPI CANYON BLOCK 474 NA KIKA (HOST)

BY AND BETWEEN

BP EXPLORATION & PRODUCTION, INC.

(NA KIKA HOST OWNER)

AND

NOBLE ENERGY, INC.,

BP EXPLORATION & PRODUCTION, INC.,

RED WILLOW OFFSHORE, LLC AND

HOUSTON ENERGY DEEPWATER VENTURES I, LLC

("MC 519 UNIT PRODUCERS")

AND

NOBLE ENERGY, INC. AND

BP EXPLORATION & PRODUCTION, INC.

("ISABELA PRODUCERS")

AND

NOBLE ENERGY, INC., BP EXPLORATION & PRODUCTION, INC.,

RED WILLOW OFFSHORE, LLC AND

HOUSTON ENERGY DEEPWATER VENTURES I, LLC

("LSPS OWNERS")

EFFECTIVE SEPTEMBER 21, 2010

EXECUTION VERSION

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1 **PRODUCTION HANDLING AND OPERATING SERVICES AGREEMENT**
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6 **PREAMBLE**
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This PRODUCTION HANDLING AND OPERATING SERVICES AGREEMENT together with its attached Exhibits ("Agreement") effective as of September 21, 2010, ("Effective Date") is entered into by and between BP EXPLORATION & PRODUCTION, INC. ("BP"), hereinafter referred to as the "Owner", in its capacity as a co-owner of the "Host" (as defined herein below), and BP; NOBLE ENERGY, INC. ("Noble"); RED WILLOW OFFSHORE, LLC ("Red Willow"); and HOUSTON ENERGY DEEPWATER VENTURES I, LLC ("HEDV"), hereinafter referred to collectively as the "Producers", in their respective capacity as co-owners of each of the "Satellite Leases" (as defined herein below); and BP, Noble, Red Willow, and HEDV, hereinafter referred to collectively as the "LSPS Owners" in their capacity as co-owners of the "Loop Subsea Production System" or "LSPS" (as defined herein below). Each signatory hereto is sometimes referred to singularly as a "Party" or collectively as the "Parties".
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20 **WITNESSETH:**
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WHEREAS, BP and Noble are the co-owners of the Isabela Lease; and

WHEREAS, BP, Noble, Red Willow and HEDV are the co-owners of the MC-519 Unit Leases; and

WHEREAS, the LSPS Owners are the co-owners of the "Loop Subsea Production System" or "LSPS"; and

WHEREAS, the Satellite Leases and the "Satellite Well System" (as defined herein below) are operated by the "Satellite Operators" (as defined herein below); and

WHEREAS, the "Loop Subsea Production System" or "LSPS" (as defined herein below) is operated by the "LSPS Operator" (as defined herein below); and

WHEREAS, the Owner is a co-owner of the "Host Leases" (as defined herein below) and the Host; and

1 **WHEREAS**, the Host Leases and the Host are operated by the "Host Operator"
2 (as defined herein below); and

3 **WHEREAS**, the Producers desire to deliver "Satellite Production" (as defined
4 herein below) to the Host at the "Entry Point(s)" (as defined herein below) via the
5 "LSPS"; and

6 **WHEREAS**, the Producers desire to utilize the Host for the processing and
7 handling of Satellite Production so as to deliver Oil and Gas allocated to the Satellite
8 Leases to the "Delivery Point(s)" (as defined herein below); and

9 **WHEREAS**, the Producers desire that the Owner (i) connect the "Satellite
10 System" to the Host and (ii) install control, monitoring and maintenance equipment
11 associated with the "Satellite System" on the Host; and

12 **WHEREAS**, the Owner and Host Operator are willing to accommodate these
13 desires and requests under the terms and conditions set forth below.

14 **NOW, THEREFORE**, in consideration of the premises, the mutual covenants
15 and agreements contained herein, and other good and valuable consideration, the receipt
16 and sufficiency of which are hereby acknowledged, the Parties agree as follows:

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ARTICLE I - CONTRACT APPLICATION

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1.1 Application in General

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This Agreement governs and applies to the rights and obligations of the Parties relating, without limitation, to the (i) connection of the Satellite System to the Host, (ii) installation of Facility Access Modifications on the Host, (iii) processing and handling on the Host of Satellite Production delivered to the Entry Point(s) via the LSFS, (iv) the delivery by the Owner to the Producers at the Delivery Point of Oil and Gas allocated to the Satellite Leases, (v) Production Handling Services by the Owner as set forth in Section 4.1.1 (*Production Handling Services*) of this Agreement and (vi) Operating Services by the Owner as described in Section 4.1.2 (*Operating Services for LSFS*) of this Agreement and Section 4.1.3 (*Operating Service for Satellite Well System*) of this Agreement. Conversely, this Agreement does not apply to the processing and handling of "Third Party Production" (as defined herein below) on the Host or to the operation of a Third Party Production system connected to the LSFS and/or the Host. Accordingly, the Producers and/or the LSFS Owners do not have the right to sublease all or part of their rights hereunder except as set forth in Article XIII

(Successors and Assigns) of this Agreement; and therefore, the Producers and/or the LSPS Owners, either individually or jointly, are prohibited from becoming and do not hold the right to become a sublessor for all or any portion of their rights hereunder. Notwithstanding anything to the contrary herein, the rights, duties, and obligations of the Parties under this Agreement shall be subject and subordinate to the Na Kika Obligations (as defined herein below), however, nothing in this Agreement shall be construed as Noble, Red Willow or HEDV contractually assuming the Na Kika Obligations.

Owner, in its capacity as co-owner of the Host, will endeavor to secure approval from Shell Offshore Inc. to share copies of the redacted Na Kika Obligations with Producers for informational purposes only. Owner will endeavor to ensure that subsequent modifications to the Na Kika Obligations will not materially adversely impact the Parties rights under this Agreement, to the extent possible.

15.1.2 Application to Other Agreements

17 1.2.1 Except for the Operating Services with respect to the LSPS described in
18 Article IV (Services) of this Agreement which shall be performed by the Host
19 Operator hereunder, the provisions of the Galapagos Area Loop Subsea
20 Production System Construction and Operating Agreement ("LSPSOA") being
21 negotiated by and among the LSPS Owners shall govern the rights, duties and
22 obligations among the LSPS Owners associated with: (i) the building and
23 operation of the LSPS; and (ii) the decision-making process among the LSPS
24 Owners related to this Agreement.

26 1.2.2 Except for the Operating Services with respect to the Isabela Lease
27 described in Article IV (*Services*) of this Agreement which shall be performed by
28 the Host Operator hereunder, the provisions of the Isabela Joint Operating
29 Agreement ("Isabela JOA") attached as Exhibit "L" to this Agreement and
30 effective as of April 2, 2007 by and between BP and Noble as the owners of the
31 Isabela Lease shall govern the rights, duties and obligations among such
32 Producers associated with: (i) operations on the Isabela Lease; (ii) those portions
33 of the Satellite Well System located on the Isabela Lease; and (iii) the decision-
34 making process between the owners of the Isabela Lease related to this
35 Agreement.

37 1.2.3 Except for the Operating Services with respect to the MC 519 Unit Leases
38 described in Article IV (*Services*) of this Agreement which shall be performed by
39 the Host Operator hereunder, the provisions of the MC 519 Unit Operating
40 Agreement ("MC 519 UOA") effective as of January 1, 2009 by and between the
41 BP, Noble, Red Willow and HEDV as the owners of the MC 519 Unit Leases
42 shall govern the rights, duties and obligations among such Producers associated
43 with: (i) operations on the MC 519 Unit Leases; (ii) those portions of the Satellite
44 Well System located on the MC 519 Unit Leases; and (iii) the decision-making
45 process between the owners of the MC 519 Unit Leases related to this Agreement.

1.2.4 It is not the intention of the Parties to amend or otherwise modify the terms and conditions of the LSPSOA, the Isabela JOA or the MC 519 UOA, except where expressly stated herein.

1.2.5 Except for the Operating Services agreed to be performed by the Host Operator hereunder, it is not the intent or purpose of this Agreement, nor should it be construed as expanding or reducing, the rights and duties of any of the Parties to conduct operations associated with: (i) the LSPS pursuant to the LSPSOA; (ii) the Isabela Lease pursuant to the Isabela JOA; or (iii) the MC 519 Unit Leases pursuant to the MC 519 UOA. As between the parties to such agreements, the provisions of those agreements shall continue to govern the authority delegated to the operators under those agreements and the approval of any operations or authority for expenditures required by the terms of those agreements.

1.2.6 In the event of a conflict between the terms of this Agreement and the terms of the Isabela JOA, the MC 519 UOA or the LSPSOA relative to the Producers' and LSPS Owners' utilization of the Host and the Services and related activities that are described in this Agreement, the terms of this Agreement shall prevail over the terms of such agreements.

1.2.7 Notwithstanding anything to the contrary in this Agreement, it is the intent of the Parties hereto that if any of the Producers are liable to the Owner or Host Operator for overhead on a cost or an expenditure incurred under the terms of this Agreement, then such Producers shall not be liable for overhead on such cost or expenditure under the terms of the LSPSOA, the Isabela JOA or the MC 519 UOA.

1.2.8 Except as otherwise expressly provided for in this Agreement, it is the intent of the Parties hereto that all costs and expenses charged by the Owner or the Host Operator under this Agreement will be charged to the respective Satellite Operator or the LSPS Operator. Subsequently, the respective Satellite Operator shall charge such costs and expenses (without the application of overhead) to the respective Producer, and the LSPS Operator shall charge such costs and expenses (without the application of overhead) to the respective LSPS Owner.

ARTICLE II - DEFINITIONS AND EXHIBITS

2.1 Preface

As used in this Agreement (or in the Exhibits attached hereto), the terms "Agreement", "Effective Date", "Owner", "Parties", "Party", "LSPS Owners" and "Producers" have the meanings set forth hereinabove. Other capitalized

terms used throughout this Agreement (or in the Exhibits attached hereto) and not listed in Section 2.2 (*Definitions*) of this Agreement have the meanings ascribed to them elsewhere in this Agreement (or in the Exhibits attached hereto).

2.2 Definitions

The following capitalized terms have the meanings ascribed to them.

2.2.1 "Abandonment Notice" has the meaning ascribed to it in Section 10.5.4(a) (*Responsibilities and Obligations at Termination*) of this Agreement.

2.2.2 "Adjusted Isabela Capacity" means Isabela Capacity for each (a) oil, (b) gas, and (c) water, which is available to the Isabela Lease after December 31, 2014, all as further described in Section 6.2.2 (*Adjusted Satellite Capacity*) of this Agreement.

2.2.3 "Adjusted MC 519 Unit Capacity" means MC 519 Unit Capacity for each (a) oil, (b) gas, and (c) water, which is available to the MC 519 Unit Leases after December 31, 2014 all as further described in Article 6.2.2 (*Adjusted Satellite Capacity*) of this Agreement.

2.2.4 "Adjusted Satellite Capacity" means Satellite Capacity for each (a) oil, (b) gas, and (c) water, which is available to the Satellite Leases after December 31, 2014 all as further described in Article 6.2.2 (*Adjusted Satellite Capacity*) of this Agreement.

2.2.5 "Affiliate" means any corporation, limited liability company or partnership (including a limited partnership) or other entity owned or controlled by a Party. The term "Affiliate" of a Party includes any parent corporation(s), partnership or other entity that directly or indirectly owns or controls fifty percent (50%) or more of the outstanding stock (or other interests) having the right to vote for directors of a Party, and also includes any other corporation, partnership or other entity in which the parent corporation(s) directly or indirectly owns or controls fifty percent (50%) or more of the voting stock (or other interests) in the other corporation.

- Ownership or control by a Party is deemed to exist if a Party directly or indirectly owns or controls fifty percent (50%) or more of the outstanding stock of the corporation having the right to vote for directors of the corporation [or fifty percent (50%) or more of the interests in the partnership or other entity].

- 1 • The stock (or interests in a partnership or other entity) owned
 2 or controlled by a Party includes all stock (or other interests)
 3 directly or indirectly owned or controlled by any other
 4 corporation, partnership or other entity owned or controlled by
 5 a Party.

6 **2.2.6** "Barrel" or "Bbl" means forty-two (42) United States standard
 7 gallons at standard conditions of fourteen and seventy-three
 8 hundredths pounds per square inch absolute (14.73 psia) at sea
 9 level at sixty degrees Fahrenheit (60°F).

10 **2.2.7** "British Thermal Unit" or "Btu" means the quantity of heat
 11 required to raise the temperature of one (1) pound in weight of
 12 pure water one degree Fahrenheit (1°F) from fifty-eight and five-
 13 tenths degrees (58.5°) Fahrenheit to fifty-nine and five-tenths
 14 degrees (59.5°) Fahrenheit at a constant pressure of fourteen and
 15 seventy-three hundredths pounds per square inch absolute (14.73
 16 psia at sea level) and determined on a gross, dry basis.

17 **2.2.8** "Business Day" means a period of twenty-four (24) consecutive
 18 hours exclusive of Saturdays, Sundays and legal holidays.

19 **2.2.9** "BOEMRE" means the United States Department of the Interior,
 20 Bureau of Ocean Energy Management, Regulation and
 21 Enforcement or any successor thereof with jurisdictional authority
 22 over the matters governed by this Agreement.

23 **2.2.10** "Capital Expenditure" means any expenditure, except for those
 24 made in connection with repair operations that are intended to put
 25 or return the Host to its normal use conditions, that: (a) extends the
 26 useful life of the Host as it then exists (or any material portion
 27 thereof) beyond one (1) year; or (b) that materially enhances the
 28 useful life of the Host as it then exists (or any material portion
 29 thereof).

30 **2.2.11** "Claim/Loss" and "Claims/Losses" shall mean all claims and
 31 losses of all kinds and descriptions concerning bodily injury,
 32 personal injury, illness, death, and property damage, regardless of
 33 how such claims and/or losses may be characterized. Included,
 34 without limitation, are damages of all kinds and descriptions,
 35 liabilities, liens, privileges, and other encumbrances, demands,
 36 suits, causes of action (including actions in rem or in personam, at
 37 law or in equity), obligations, judgments, interest, costs, expenses,
 38 fines, penalties, losses, assessments, judgments and awards
 39 whether created by law, equity, contract, tort, arbitration, voluntary
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settlement (to the extent authorized by the Indemnitor), or otherwise, and shall, except as otherwise expressly provided, include claims based on contractual indemnity, the unseaworthiness of any vessel, the unairworthiness of any aircraft or any condition or pre-existing condition (whether known or unknown). The terms also include reasonable attorneys' fees, court costs, and other reasonable costs of litigation resulting from the defense of any Claim/Loss or cause of action within the scope of the indemnities in this Agreement.

- 2.2.12** "**Confidential Information**" means (i) the terms and conditions of this Agreement, (ii) the production profiles provided by Satellite Operator or their representatives pursuant to this Agreement, (iii) the measurement and allocation reports and data (including, without limitation, data associated with production quality), and (iv) the well test data.

2.2.13 "**Connected With**" shall be deemed to include and stand for "directly or indirectly arising out of, resulting from, or in any way connected with or related to." For avoidance of doubt, the indemnities in this Agreement are intended to be broad and cover all Claims/Losses in any way connected to the performance of the Agreement, including any Claims/Losses associated with any presence on any premises, and including any Claims/Losses associated with any ingress, egress, loading, or unloading, and transportation to and from the Host.

2.2.14 "**COPAS**" means the Council of Petroleum Accountants Societies Inc.

2.2.15 "**COPAS Adjustment**" means the adjustment factor provided by Model Form Interpretation 50 "Overhead Adjustment Index ("MFI-50")" which is effective April 1st of each calendar year, as published by COPAS or any replacement overhead adjustment guideline document published by COPAS.

2.2.16 "**Day**" means a period of twenty-four (24) consecutive hours, beginning at 12:00 a.m. central time.

2.2.17 "**Default**" has the meaning ascribed to it in Section 10.2 (*Default*) of this Agreement.

2.2.18 "**Defend**" or "**Defense**" shall include the obligation to pay reasonable attorneys' fees, court costs, expert fees, and other reasonable costs incurred by the Indemnitor or the Indemnitee as a

1 result of defending against a Claim/Loss as required by this
2 Agreement, or, at the election and cost of the obligor, the
3 obligation to select and engage competent attorneys and experts to
4 defend against a Claim/Loss as required by this Agreement.

5
6 **2.2.19** "Deferred Host Leases Gas Production" or "DGPC" shall have
7 the meaning ascribed to it in Section 5.6.2(b) (*Compensation*
8 *Methodology*) of this Agreement.

9
10 **2.2.20** "Deferred Host Leases Oil Production" or "DOPC" shall have
11 the meaning ascribed to it in Section 5.6.2(a) (*Compensation*
12 *Methodology*) of this Agreement.

13
14 **2.2.21** "**Delivery Point(s)**" means:

- 15
16 (a) for Gas, the point where the Gas departs the Host as set
17 forth on Exhibit "A-1" (*Delivery Point*) to this Agreement.
18
19 (b) for Oil, the point where the Oil departs the Host as set forth
20 on Exhibit "A-1" (*Delivery Point*) to this Agreement.

21
22 **2.2.22** "**Dollar**" and "\$" means the lawful currency of the United States of
23 America.

24
25 **2.2.23** "**Entry Point(s)**" means the point(s) at the outlet flange of the
26 connection between the LSPS and the Host where Satellite
27 Production enters the Host as set forth on Exhibit "A-2" (*Entry*
28 *Point*) to this Agreement.

29
30 **2.2.24** "**Environmental Protection Agency**" or "EPA" shall have the
31 meaning ascribed to it in Section 5.4.2 (*Future Governmental*
32 *Regulations*) of this Agreement.

33
34 **2.2.25** The phrases "**even if caused by the Negligence/Fault**" or "**even if**
35 **contributed to by the joint or concurrent Negligence/Fault**"
36 shall, except to the extent expressly otherwise provided for in this
37 Agreement, mean that the Parties intend for the indemnity and
38 other obligations to apply whether or not the Claims/Losses are
39 contributed to by, occasioned by, or are the result of the
40 Negligence/Fault of the Indemnitee or any other Person, and that,
41 except to the extent expressly otherwise provided, the Parties
42 intend for the indemnity and other obligations to apply:

- 43
44 (a) without regard to any conflicting rules of liability under
45 any applicable law or regulation;

- (b) without regard to any successful limitation or exoneration of liability proceeding filed by or on behalf of the indemnifying Party pursuant to the laws of any state or country or the provisions of any international convention; and
 - (c) without regard to whether the Claims/Losses in question are sought directly or indirectly by way of recovery, tort or contractual indemnification, or contribution by a Person against the Indemnitee.

It is expressly provided, however, that the phrases "even if caused by the Negligence/Fault" or "even if contributed to by the joint or concurrent Negligence/Fault" shall not apply to or include the gross negligence or willful misconduct of any member of the Owner's Group, Host Operator, or any member of the Satellite Group, whichever is seeking indemnity.

- 2.2.26** "**Expense Category**" has the meaning ascribed to it in Section 5.1.3(b)(ii) (*General Principle for Costs Charging*) of this Agreement.

2.2.27 "**Expense Type**" has the meaning ascribed to it in Section 5.1.3(b)(i) (*General Principle for Costs Charging*) of this Agreement.

2.2.28 "**Facility Access Modifications**" has the meaning ascribed to it in Section 3.3.1 (*Facility Access Modifications*) of this Agreement.

2.2.29 "**Facility Access Modifications Dedicated System**" has the meaning ascribed to it in Section 5.1.3(b)(ii)(c) (*General Principle for Costs Charging*) of this Agreement

2.2.30 "**Force Majeure**" means events which are beyond the reasonable control of the Party claiming suspension and which, by the exercise of due diligence, such Party would not have been able to avoid or overcome, and only if such events materially affects a Party's ability to perform its obligations hereunder, including but not limited to:

(a) flood, storm, loop current, eddy, hurricane, earthquake, adverse weather conditions, high sea states, or other acts of God;

- (b) fire, explosion, loss of well control, oil spill, or other environmental catastrophe, natural or man made;
 - (c) war, terrorist actions, actions of the public enemy, blockade, insurrection, civil disturbance, labor dispute, strike, lockout, or other industrial disturbance, compliance with any law, order rule, or regulation, governmental action or delay including the inability to secure permits or permit approvals as needed;
 - (d) inability to secure materials or equipment; or
 - (e) any other causes (other than a cause arising under a contract with a Third Party), whether similar or dissimilar.

2.2.31 "Galapagos Area Loop Subsea Production System Construction and Operating Agreement" or "LSPSOA" has the meaning ascribed to it in Section 1.2.1 (*Application of Other Agreements*) of this Agreement.

2.2.32 "Gas" or "gas" means any mixture of gaseous hydrocarbons, consisting of methane and heavier liquefiable hydrocarbons and inert and noncombustible gases which are extracted from the subsurface of the earth, including any condensate recovered on the Host and re-injected in a downstream pipeline.

2.2.33 "Gas Export Pipeline" means the gas export pipeline that transports Gas from the Gas Delivery point (currently owned and operated by the Okeanos Gas Gathering Company, LLC) which originates at the Host, and terminates at the connection to Main Pass Block 260.

2.2.34 "Gas Production" means the Gas and associated substances produced from the Host Leases, both or each of the Satellite Leases or Third Party Leases, whichever is applicable.

2.2.35 "Gas System Host Dedicated Facility" has the meaning ascribed to it in Section 5.1.4(d) (*Cost Charging Procedure*) of this Agreement.

2.2.36 "Handling Fee" or "HF" has the meaning ascribed to it in Section 5.3 (*Infrastructure Access and Handling Fees*) of this Agreement.

2.2.37 "Host" means all equipment and facilities located between the Entry Point(s) and the Delivery Point, including the offshore semi-

submersible floating platform located on Mississippi Canyon Block 474, and the Facility Access Modifications, but excluding the LSPS and the Satellite Well System.

- 1 **2.2.59** "Latest Fully Allocated Production Month" means the last
 2 production month that was reported by a Satellite Lease Operator
 3 to the BOEMRE on the Oil & Gas Operations Report (OGOR)
 4 Form MMS-4054, or its replacement form as designated by the
 5 BOEMRE or its successor agency with jurisdictional control over
 6 such matters. For example, February calendar month production is
 7 reported to the BOEMRE on the OGOR during the calendar month
 8 of April.
- 9 **2.2.60** "Laws" means any laws, rules and regulations of the United States
 10 of America or any duly constituted instrumentality thereof and all
 11 other governmental bodies, agencies and other authorities having
 12 jurisdiction over or affecting the provisions contained in or the
 13 transactions contemplated by this Agreement or the Parties or their
 14 operations, whether such Laws now exist or are hereafter amended,
 15 enacted, promulgated or issued.
- 16 **2.2.61** "LEB" means one (1) liquid equivalent Barrel determined by
 17 treating as one (1) LEB each: one (1) Barrel of Oil, one (1) Barrel
 18 of water, or five and eight tenths (5.8) MSCF of Gas.
- 19 **2.2.62** "**Loop Subsea Production System**" or "**LSPS**" has the meaning
 20 ascribed to it in Section 3.2 (*Loop Subsea Production System*) of
 21 this Agreement.
- 22 **2.2.63** "**LSPS Direct Expense**" has the meaning ascribed to it in Section
 23 5.1.3(b)(ii)(b) (*General Principles for Costs Charging*) of this
 24 Agreement.
- 25 **2.2.64** "**LSPS Operator**" means that Person designated as operator under
 26 the terms and provisions of the LSPSOA between the LSPS
 27 Owners governing the LSPS or any successor LSPS Operator
 28 selected pursuant to the provisions of the LSPSOA. As of the
 29 Effective Date the LSPS Operator is BP.
- 30 **2.2.65** "**LSPS Owners**" has the meaning ascribed to it in the preamble of
 31 this Agreement.
- 32 **2.2.66** "**LSPS Owners Group**" means the following entities and Persons
 33 individually and collectively: each of the LSPS Owners and their
 34 respective parent, subsidiaries and Affiliates (including any after
 35 acquired companies), co-lessees, co-owners, partners or joint
 36 venturers, other contractors, sub-contractors and vendors of any
 37 tier and their respective officers, directors, shareholders,
 38 employees, agents, invitees and representatives of all those entities.
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- 1 **2.2.67** "LSPSOA" has the meaning ascribed to it in Section 1.2.1
 2 *(Application to Other Agreements)* of this Agreement.
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- 4 **2.2.68** "MBO/d" means one thousand (1,000) Barrels of Oil per Day.
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- 6 **2.2.69** "MBtu" means one thousand (1,000) Btu's.
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- 8 **2.2.70** "MBW/d" means one thousand (1,000) Barrels of water per Day.
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- 10 **2.2.71** "MC 519 Unit" means the unit formed by that certain Unit
 Agreement for Outer Continental Shelf Exploration, Development
 and Production Operations dated effective January 1, 2009 by and
 between Noble, Red Willow, HEDV, bearing Contract Number
 754309001.
- 11
- 12 **2.2.72** "MC 519 Unit First Production" means the date of the initial
 introduction of MC 519 Unit Production at the Entry Point(s).
- 13
- 14 **2.2.73** "MC 519 Unit Capacity" means 20 MBO/d (gross), 50 MMSCF/d
 (gross), and 7.5 MBW/d (gross) of processing and handling
 capacity through the Host that is available for the processing and
 handling of MC 519 Unit Production. MC 519 Unit Capacity is
 subject to priorities (and reduction) as defined in Section 6.4
 (*Production Prioritization*) of this Agreement. MC 519 Unit
 Capacity is subject to capacity re-determination as established in
 Section 6.2.2 (*Adjusted Satellite Capacity*) of this Agreement.
- 15
- 16 **2.2.74** "MC 519 Unit Leases" means the oil and gas leases OCS-G 27278
 covering and affecting Mississippi Canyon Block 519; and OCS-G
 21176 covering and affecting Mississippi Canyon Block 563 in the
 Gulf of Mexico, insofar and only insofar as such leases cover
 depths below fifteen thousand (15,000) feet TVD.
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- 18 **2.2.75** "MC 519 Unit Operating Agreement" or "MC 519 UOA" has
 the meaning ascribed to it in Section 1.2.3 (*Application of Other
 Agreements*) of this Agreement.
- 19
- 20 **2.2.76** "MC 519 Unit Operator" means the operator as designated under
 the terms of the MC 519 UOA.
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- 22 **2.2.77** "MC 519 Unit Production" means the Oil, Gas and water
 produced from MC 519 Unit Leases.
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- 1 **2.2.78** "MF~~I~~-50" has the meaning ascribed to it in Section 2.2.14 (*COPAS Adjustment*) of this Agreement.
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- 3 **2.2.79** "Minimum Monthly Fee" has the meaning ascribed to it in Section 5.3.5(a) (*Isabela Lease Minimum Monthly Fee*) of this Agreement and Section 5.3.6(a) (*MC 519 Unit Leases Minimum Monthly Fee*) of this Agreement.
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- 8 **2.2.80** "MMBtu" means one million (1,000,000) Btu's.
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- 10 **2.2.81** "MMSCF" means one million (1,000,000) "Standard Cubic Feet" (as defined herein below).
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- 13 **2.2.82** "MMSCF/d" means one million (1,000,000) Standard Cubic Feet per Day.
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- 16 **2.2.83** "MSCF" means one thousand (1,000) Standard Cubic Feet.
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- 18 **2.2.84** "MSCF/d" means one thousand (1,000) Standard Cubic Feet per Day.
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- 21 **2.2.85** "Na Kika HUA" means that certain Guiding Principles for a Na Kika Host Utilization Agreement dated May 17th, 2004, as amended, expanded or replaced, from time to time.
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- 25 **2.2.86** "Na Kika JOA" means that certain Na Kika Complex Joint Operating Agreement dated April 30, 1998 including addendum(s), as amended from time to time (including adding additional leases). As of the Effective Date the parties to the Na Kika JOA are Shell Offshore Inc. and BP.
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- 31 **2.2.87** "Na Kika Obligations" means all rights, duties and obligations (existing or future) between Shell Offshore Inc. and BP (or their respective successors or assigns) related to, or in connection with, the Host, including without limitation the Na Kika JOA, the Na Kika HUA, the Host M&A, the Satellite Field Start-up Agreement (including exhibits), and any gas balancing procedures, oil quality bank, and/or natural gas liquids bank, which might be implemented by the Host owners.
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- 40 **2.2.88** "Negligence/Fault" shall mean and include, except to the extent expressly otherwise provided, negligence, strict liability, other premises liability, unseaworthiness, unairworthiness, liability for defective equipment, and breach of statutory duty, whether or not resulting from preexisting conditions, and, except to the extent
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expressly otherwise provided, whether or not such Negligence/Fault is sole, direct, indirect, contributory, concurrent, joint, comparative, active, or passive.

2.2.89 "NGL" means natural gas liquid(s).

2.2.90 "Non-Conforming Production" has the meaning ascribed to it in Section 6.5.2 (*Non-Conforming Satellite Production*) of this Agreement.

2.2.91 "Non-Performing Party" has the meaning ascribed to it in Section 10.2.1(*Default*) of this Agreement.

2.2.92 "Non-Satellite Production" means Oil, Gas, water, and all associated substances produced from sources other than the Satellite Leases and processed and handled on the Host.

2.2.93 "Notice Period" has the meaning ascribed to it in Section 10.2.1(*Default*) of this Agreement.

2.2.94 "OEB" means one (1) oil equivalent Barrel determined by treating as one (1) OEB each: one (1) Barrel of Oil or five and eight tenths (5.8) MSCF of Gas.

2.2.95 "Oil" or "oil" means any mixture of hydrocarbons, regardless of gravity, originally and naturally occurring as liquids and includes all condensate, distillate, and other liquid hydrocarbons recovered by use of conventional separators on the Host.

2.2.96 "Oil Export Pipeline" means the oil export pipeline known as Na Kika Oil Pipeline, which originates at the Host and terminates at a connection to the Delta Pipeline System at MP 69P that transports Oil from the Oil Delivery Point.

2.2.97 "Oil Production" means Oil and associated substances produced from the Host Leases, both or either of the Satellite Leases or Third Party Leases, whichever is applicable.

2.2.98 "Operating Services" means those services as set forth in Exhibit "E" (*Host Services*) to this Agreement.

2.2.99 "Owner" has the meaning ascribed to it in the preamble of this Agreement.

- 1 **2.2.100** "Owner's Group" means the following entities and Persons
 2 individually and collectively: Owner and its respective parent,
 3 subsidiaries and Affiliates (including any after acquired
 4 companies), co-lessees, co-owners, partners or joint venturers,
 5 other contractors, sub-contractors and vendors of any tier and their
 6 respective officers, directors, shareholders, employees, agents,
 7 invitees and representatives of all those entities.
- 8 **2.2.101** [Intentionally Omitted]
- 9 **2.2.102** "Permanent Cessation of Production" means the event which
 10 occurs when production has not been restored from the last
 11 producing well on the Isabela Lease or the MC 519 Unit Leases
 12 in accordance with 30 CFR Part 250 of the federal regulations
 13 concerning suspensions of production or other operations or such
 14 other regulations promulgated by the relevant governing authority.
- 15 **2.2.103** "Person" means any individual or entity, including, without
 16 limitation, any corporation, limited liability company, joint
 17 venture, joint stock company, general or limited partnership, trust,
 18 agency, association, organization, governmental authority, or other
 19 entity.
- 20 **2.2.104** "Prevailing Gas Price" means the arithmetic average of the high
 21 price and the low price, for the pertinent month, of the Destin
 22 Pipeline Company L.L.C one hundred percent (100%) index price
 23 used for pipeline imbalance settlements, or such other published
 24 monthly index price defined in the Na Kika Obligations.
- 25 **2.2.105** "Prevailing Oil Price" means the arithmetic average of the high
 26 price and the low price on a day posted in the publication known as
 27 Argus Crude, as published by Argus Media, Inc. under the heading
 28 HLS ("Heavy Louisiana Sweet") or such other published index
 29 defined in the Na Kika Obligations.
- 30 **2.2.106** "Prior Twelve Months Allocated Production" means the twelve
 31 (12) prior calendar months of allocated production prior to the
 32 Host Operator's approval of the expenditure. If there are less than
 33 twelve (12) months of fully allocated production, the allocation
 34 volumes from inception of production will be utilized, plus a value
 35 of zero given to months with no production. Once the relative
 36 throughput is determined for an expenditure, the allocation
 37 percentages assigned to the leases / fields will not change for that
 38 expenditure.
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- 1 **2.2.107** "Producers" has the meaning ascribed to it in the preamble of this
 2 Agreement.
- 3 **2.2.108** "Producers' Group" means the following entities and Persons
 4 individually and collectively: each of the Producers and their
 5 respective parent, subsidiaries and Affiliates (including any after
 6 acquired companies), co-lessees, co-owners, partners or joint
 7 venturers, other contractors, sub-contractors and vendors of any
 8 tier and their respective officers, directors, shareholders,
 9 employees, agents, invitees and representatives of all those entities.
- 10 **2.2.109** [**Intentionally Omitted.**]
- 11 **2.2.110** "**Production Handling Services**" means those services as set forth
 12 in Exhibit "E" (*Host Services*) to this Agreement.
- 13 **2.2.111** "**Reduced Satellite Fields Capacity**" has the meaning ascribed to
 14 it in Section 6.4 (*Production Prioritization*) of this Agreement.
- 15 **2.2.112** "**Satellite Capacity**" means Isabela Capacity and MC 519 Unit
 16 Capacity combined.
- 17 **2.2.113** "**Satellite Field Start Up Agreement**" means that certain Satellite
 18 Field Start-Up Agreement between BP and Shell Offshore Inc.
 19 dated May 17, 2004 as amended, expanded or replaced from time
 20 to time.
- 21 **2.2.114** "**Satellite First Production**" means the date of the initial
 22 introduction of Satellite Production at the Entry Point(s).
- 23 **2.2.115** "**Satellite Gas Production**" means Gas attributable to Satellite
 24 Production.
- 25 **2.2.116** [**Intentionally Omitted**]
- 26 **2.2.117** "**Satellite Leases**" means the Isabela Lease and/or the MC 519
 27 Unit Leases.
- 28 **2.2.118** "**Satellite Lease Direct Expense**" has the meaning ascribed to it in
 29 Section 5.1.3(b)(ii)(a) (*General Principles for Costs Charging*) of
 30 this Agreement.
- 31 **2.2.119** "**Satellite Oil Production**" means Oil attributable to Satellite
 32 Production.

- 1 **2.2.120** **"Satellite Operating Problem"** has the meaning ascribed to it in
 2 Section 6.5.2 (*Non-Conforming Satellite Production*) of this
 3 Agreement.
- 4 **2.2.121** **"Satellite Operator(s)"** means the operator of the Isabela Lease
 5 and the operator of the MC 519 Unit Leases or any successors
 6 thereof selected pursuant to the terms and provisions of the Isabela
 7 JOA and the MC 519 JOA, respectively.
- 8 **2.2.122** **"Satellite Production"** means the ~~stream~~ of Oil, Gas, water, and
 9 associated substances produced from the Satellite Leases.
- 10 **2.2.123** **"Satellite System"** means the LSPS and the Satellite Well System.
- 11 **2.2.124** **"Satellite System Owners"** means all of the Producers (each in its
 12 capacity as an owner of the Satellite Leases) and all of the LSPS
 13 Owners (each in its capacity as an owner of the LSPS)
- 14 **2.2.125** **"Satellite Well System"** has the meaning ascribed to it in Section
 15 3.1.1 (*Satellite Well System*) of this Agreement.
- 16 **2.2.126** **"Services"** means the Production Handling Services and the
 17 Operating Services as set forth in ~~Exhibit "E" (Host Services)~~ to
 18 this Agreement.
- 19 **2.2.127** **"Standard Cubic Foot"** or **"SCF"** means that quantity of Gas that
 20 occupies one (1) cubic foot of space when held at a base
 21 temperature of sixty degrees (60°) Fahrenheit and a pressure of
 22 fourteen and seventy-three hundredths (14.73) pounds per square
 23 inch absolute (psia).
- 24 **2.2.128** **"Third Party"** means any Person other than the Owner, the Host
 25 Operator, the Producers, and any Party hereto.
- 26 **2.2.129** **"Third Party Leases"** means oil and gas leases owned by a Third
 27 Party, whose production is processed and handled on the Host.
- 28 **2.2.130** **"Third Party Production"** means Oil, Gas, water, and all
 29 associated substances produced from ~~Third Party Leases~~.

40 **2.3 Exhibits**

41 All references in this Agreement to "Exhibits", without further qualification mean
 42 the Exhibits listed below and attached to this Agreement. Each Exhibit listed
 43 below is made a part of this Agreement, and is deemed incorporated into the body

1 of this Agreement by reference, as completely as if the full text of each Exhibit
2 were contained within the text of this Agreement.

3
4 Exhibit "A-1": Delivery Point(s)
5 Exhibit "A-2": Entry Point(s)
6 Exhibit "B": Host Capacity
7 Exhibit "C": Accounting Procedures
8 Exhibit "D": Host Facilities Schematics
9 Exhibit "E": Host Services
10 Exhibit "F": Operating & Maintenance Expenses
11 Exhibit "G": Host Fluid Limits/Operating Parameters
12 Exhibit "H": Insurance Provisions
13 Exhibit "I": Dispute Resolution Procedures
14 Exhibit "J": Certification of Non-Segregated Facilities
15 Exhibit "K": Approved AFE's
16 Exhibit "L": Isabela JOA
17

18 If the provisions of any of the Exhibits listed above conflict with any provisions
19 of the body of this Agreement, the provisions of the body of this Agreement will
20 prevail except as to Exhibits "G" and "H" each provision of which shall prevail
21 over any provision of the body of this Agreement.
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ARTICLE III - INFRASTRUCTURE AND FACILITIES

3.1 Satellite Well System

3.1.1 The Producers at their sole cost, risk, liability, and expense will own,
design, procure, fabricate, transport, and install each Satellite Well System
("Satellite Well System") and any modifications thereto, which includes,
but is not limited to, the following components:

(a) All facilities and equipment upstream of the LSPS including, but
not limited to, the wells, well jumpers, subsea wellheads, choke
tie-in bases, umbilicals and terminations, flying leads, flowlines,
and wellhead master and wing valves associated with producing
and gathering Satellite Production.

3.1.2 Each Satellite Operator will provide, in a timely manner, at the Host
Operator's discretion, the design and specifications of its respective
Satellite Well System to the Owner. The Host Operator and the Owner
shall review such design and specifications and the Host Operator will
submit its required modifications to each Satellite Operator within ninety
(90) Days of its receipt of each Satellite Wells System design and

1 specifications. Such required modifications shall be limited to those
 2 which are necessary to prevent adverse impacts or negatively influence the
 3 ongoing operations of the Host, in the Host Operator's reasonable
 4 judgment. Each Satellite Operator shall revise its plan and specifications
 5 to conform to the required modifications submitted by the Host Operator.

6
 7 3.1.3 The Host Operator shall not charge or invoice the Owner for any activities
 8 or operations contemplated in Section 3.1.2 (*Satellite Well System*) of this
 9 Agreement.

10
 11 3.1.4 Each Satellite Operator is responsible for acquiring all necessary permits,
 12 licenses, authorizations, inspections and approvals required for the
 13 construction and installation of its respective Satellite Well System and its
 14 connection to the LSPS, at the sole cost and expense of the respective
 15 Producers.

16
 17 **3.2 Loop Subsea Production System**

18
 19 3.2.1 Subject to Section 3.2.4 (*Loop Subsea Production System*) of this
 20 Agreement, the LSPS Owners in accordance with provisions of the
 21 LSPSOA at their sole cost, risk, liability, and expense will design, procure,
 22 fabricate, test, transport, install, or cause to be installed, interconnected
 23 and commissioned the Loop Subsea Production System ("LSPS") and any
 24 modifications thereto, which includes, but is not limited to, the following
 25 components:

26 All facilities and equipment upstream of all Entry Point(s) as set forth on
 27 Exhibit "A-2" (*Entry Point(s)*) to this Agreement but downstream of the
 28 Satellite Well System including, but not limited to, choke tie-in bases,
 29 subsea manifolds, umbilicals and terminations, flowlines, flowline risers,
 30 associated with producing and gathering Satellite Production. The LSPS
 31 will be owned by the LSPS Owners. For purposes herein, "upstream" is
 32 from the Entry Point(s) towards the Satellite Leases.

33
 34 3.2.2 The LSPS Operator will provide, in a timely manner the design and
 35 specifications of the LSPS to the Owner. The Host Operator and the
 36 Owner shall review such design and specifications and the Host Operator
 37 will submit its required modifications to the LSPS Operator within ninety
 38 (90) Days of its receipt of the LSPS design and specifications. Such
 39 required modifications shall be limited to those which are necessary to
 40 prevent adverse impacts or negatively influence the ongoing operations of
 41 the Host, in the Host Operator's sole judgment. The LSPS Operator shall
 42 revise its plan and specifications to conform to the required modifications
 43 submitted by the Host Operator.

- 1 3.2.3 The Host Operator shall not charge or invoice the Owner for any activities
2 or operations contemplated in Section 3.2.2 (*Loop Subsea Production*
3 *System*) of this Agreement.
- 4
- 5 3.2.4 The LSPS Operator is responsible for acquiring all necessary permits,
6 licenses, authorizations, inspections and approvals required for the
7 construction and installation of the LSPS and its connection to the Host, at
8 the sole cost and expense of the LSPS Owners.
- 9
- 10 3.2.5 The Host Operator shall determine the timing and scheduling of all
11 activities and operations involving the connection and commissioning of
12 the LSPS to the Host in order to provide for the safety of individuals
13 involved in such activities and operations, to protect the environment, and
14 to minimize interruption of Host Lease operations, Satellite Lease
15 operations and/or Host downtime.

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17 **3.3 Facility Access Modifications**

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- 19 3.3.1 All facilities and equipment added to and located on the Host required for
20 the Production Handling Services and all modification to the Host required
21 for the connection of the LSPS to the Host (collectively, the "Facility
22 Access Modifications") will be installed on the Host at a location thereon
23 acceptable to the Owner and Host Operator. The Facility Access
24 Modifications, specifically excluding the LSPS, will be designed,
25 procured, and fabricated by the Host Operator, and will be installed and
26 interconnected with other facilities on the Host, as well as commissioned,
27 by the Host Operator. For reference purposes, an equipment layout and
28 process flow schematic depicting the Host facilities and the interface
29 between the Facility Access Modifications and the Host facilities is
30 included as Exhibit "D" (*Host/Satellite Facilities Schematic*) to this
31 Agreement. For the avoidance of doubt, the Facility Access Modifications
32 are part of the Host and not part of the LSPS. All Facility Access
33 Modifications (including any modifications thereto) will be owned by the
34 Owner whether such facilities are procured and/or funded by the Host
35 Operator, the Owner, the Producers, the LSPS Operator or the LSPS
36 Owners.

37 The Facility Access Modifications include, but are not limited to:

- 38 (i) Inlet separator(s);
39 (ii) Process liquids cooling;
40 (iii) Boarding valves and topside choke;
41 (iv) Flowline pig launchers and receivers;
42 (v) Methanol injection;
43 (vi) Subsea chemical injection;
44 (vii) Riser Gas lift compression;

- (ix) Oil, Gas and water metering and fluid sampling equipment;
 - (x) Hydraulic Power Unit ("HPU");
 - (xi) the Topsides Umbilical Termination Assembly ("TUTA"); and
 - (xii) the Master Control Station ("MCS").

8 3.3.2 The Producers of the Isabela Lease have, in accordance with the terms and
9 conditions of the Isabela JOA, each approved and executed the following
10 BP authorization for expenditures ("AFE"):

<u>BP's AFE Number</u>	<u>Description</u>	<u>Gross Amount, (\$ million)</u>
Z1-005DG	Integrated Project Team	16.3
Z1-0067Y	Integrated Project Mgmt	9.9
Z1-00601	Long Leads	35.0
Z1-006DN	Project Mgmt	25.2
Z1-006DN (Supplement)	Project Mgmt	10.8
Z1-006DQ	Topsides	23.8
Z1-006DQ (Supplement)	Topsides	5.2
Z1-007DO	Topsides Fab & Install	82.4

Execution of this Agreement shall be deemed approval by the Producers of the AFE's set forth above ("Approved AFE's") attached as Exhibit "K" to this Agreement, in accordance with the Isabela JOA. Approximately One Hundred Twenty Nine Million Six Hundred Thousand and No/100 Dollars (\$129,600,000) of the funds contained in the Approved AFE's represent costs that have and/or will be incurred by the Host Operator for the design, permitting, procurement, fabrication, testing, transportation, installation, hook-up, interconnection and/or commissioning of the Facility Access Modifications, and for construction and/or making available sufficient, adequate buoyancy and deck space for those components. Upon execution of this Agreement, the Producers of the Isabela Lease and the Producers of the MC 519 Unit Leases agree that the Host Operator shall, in accordance with the Isabela JOA and the Isabela accounting procedures, directly charge and invoice Producers of the Isabela Lease fifty percent (50%) and Producers of the MC 519 Unit Lease fifty percent (50%) of the Approved AFE's as they relate to the Facility Access Modifications. The Producers of the MC 519 Unit Leases agree to reimburse the Producers of the Isabela Lease in accordance with the Isabela JOA, for their 50% share of any of the Approved AFE's set forth in this Section 3.3.2 (*Facility Access Modifications*) of this Agreement as they relate to the Facility Access Modifications that were approved prior to the Effective Date of this Agreement.

1 Subsequent to the Effective Date of this Agreement, the Host Operator
2 will directly charge and invoice pursuant to the Isabela JOA and Exhibit
3 "C" (*Accounting Procedure*) of the Isabela JOA, Producers of the Isabela
4 Lease fifty percent (50%) and Producers of the MC 519 Unit Leases fifty
5 percent (50%) of all future AFE's in addition to those within the
6 Approved AFE's incurred by the Host Operator for the design, permitting,
7 procurement, fabrication, testing, transportation, installation, hook-up,
8 interconnection, and/or commissioning of the Facility Access
9 Modifications, and for construction and/or making available sufficient,
10 adequate buoyancy and deck space for those components pursuant to
11 Section 4.4 (*Use of Platform/Riser Space*) of this Agreement. However,
12 the Host Operator shall not be required to proceed with the installation,
13 hook-up, interconnection, and/or commissioning of the Facility Access
14 Modifications, and for construction and/or making available sufficient,
15 adequate buoyancy and deck space for those components until the
16 Producers have advanced the estimated costs of such to the Host Operator.
17 The Host Operator shall never be obligated to expend any of its own funds
18 for such costs. The interconnection of the LSPS to the Host shall be
19 carried out by the Host Operator upon receipt of notice of completion of
20 construction of the LSPS from the LSPS Operator. The commissioning of
21 the Satellite System shall be carried out by the LSPS Operator in
22 coordination with the Host Operator. The Host Operator shall determine
23 the timing and scheduling of all activities and operations involving the
24 commissioning of the LSPS and the interconnection of the LSPS to the
25 Host.

- 26
- 27 3.3.3 The Host Operator shall not charge or invoice the Owner for any activities
28 or operations contemplated in Section 3.3.2 (*Facility Access*
29 *Modifications*) of this Agreement.
- 30
- 31 3.3.4 The Host Operator is responsible for acquiring all necessary permits,
32 licenses, authorizations, inspections and approvals required for the
33 construction and installation of the Facility Access Modifications at the
34 sole cost and expense of the Producers.
- 35
- 36 3.3.5 Owner will endeavor, subject to the Na Kika Obligations, to provide
37 Producers with priority use of the Facility Access Modification for
38 Production Handling Services of Satellite Production during the term of
39 this Agreement.
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ARTICLE IV - SERVICES**4.1 General**

Pursuant to the terms of this Agreement, the Owner agrees to provide the Services and the Owner agrees to cause the Host Operator to perform the Services with respect to the Satellite System and the Satellite Production delivered to the Host commencing as soon as reasonably possible after the commissioning of the Satellite System and its connection to the Host. The Owner, the Host Operator, nor anyone employed by them, will be deemed for any purpose to be the employees, contractors, agents, consultants, servants, or representatives of the Producers or the Satellite Operator(s) or the LSPS Owners or the LSPS Operator in the performance of any Services or part thereof in any manner dealt with hereunder. Except as otherwise provided herein, neither the Producers nor the Satellite Operator(s) nor the LSPS Owners nor the LSPS Operator will have direction or control of the Owner or the Host Operator, their employees, contractors, agents, consultants, servants, or representatives in the performance of any Services or part thereof under this Agreement. Except as provided in Article I, it is not the intent or purpose of this Agreement, nor should it be construed as changing, the rights and duties of the Producers or the Satellite Operator(s) or the LSPS Owners or the LSPS Operator to conduct operations associated with the Satellite Leases or the Satellite System.

4.1.1 Production Handling Services

The Owner will provide through the Host Operator the Production Handling Services for Satellite Production in accordance with Exhibit "E" (*Host Services*) to this Agreement. The Owner will provide the Production Handling Services for Satellite Production after such production passes through the Entry Point(s) and until production enters the Delivery Point(s).

4.1.2 Operating Services for LSPS

The Owner will provide through the Host Operator the Operating Services for the LSPS in accordance with Exhibit "E" (*Host Services*) to this Agreement. With respect to the Operating Services, the Owner will operate, inspect, maintain, and repair the LSPS, but only to the extent that such functions can be performed from or on the Host by the Host Operator's regular operating personnel with the standard equipment and/or tools typically available on the Host in accordance with the Host Operator's day to day operating procedures and guidelines and as specified under Exhibit "E" (*Host Services*) to this Agreement.

1 **4.1.3 Operating Services for Satellite Well System**

2 The Owner will provide through the Host Operator the Operating Services
 3 for the Satellite Well System in accordance with Exhibit "E" (*Host*
 4 *Services*) to this Agreement. With respect to the Operating Services, the
 5 Owner will operate, inspect, maintain, and repair the Satellite Well
 6 System, but only to the extent that such functions can be performed from
 7 or on the Host by the Host Operator's regular operating personnel with the
 8 standard equipment and/or tools typically available on the Host in
 9 accordance with the Host Operator's day to day operating procedures and
 10 guidelines and as specified under Exhibit "E" (*Host Services*) to this
 11 Agreement.

12 **4.2 Well Unloading**

14 The unloading of completion fluids (e.g. chemicals, fracture fluids, acids, and/or
 15 water, etc.) associated with Satellite Leases shall be carried out only with the Host
 16 Operator's prior consent. In connection with the granting of such consent, the
 17 Host Operator may require the Satellite Operators to comply with such standards
 18 and procedures as set by the Host Operator in its sole discretion.

20 **4.3 Parties' Responsibilities**

21 **4.3.1 Producers' Responsibilities**

23 The Producers will retain responsibility for all Satellite Well System operations
 24 that are not performed from or on the Host including, but not limited to, downhole
 25 well operations and flowline repairs and maintenance.

27 **4.3.2 LSPS Owners' Responsibilities**

29 The LSPS Owners will retain responsibility for all LSPS operations that are not
 30 performed from or on the Host including, but not limited to flowline repairs and
 31 maintenance.

33 **4.4 Use of Platform/Riser Space**

34 **4.4.1** Sufficient weight capacity, buoyancy, and deck space exists on the Host,
 35 within the rights of the Owner under the Na Kika Obligations, for the
 36 installation of the Facility Access Modifications.

38 **4.4.2** If sufficient weight capacity, buoyancy and deck space is unavailable in
 39 the future to allow the Host Operator to perform the Services because of
 40 additional Host Leases Production being handled on the Host pursuant to
 41 Section 6.4 (*Production Prioritization*) of this Agreement, or if costs and
 42 expenses are required to construct and/or make such sufficient weight

1 capacity, buoyancy and deck space available, because of such occurrence,
 2 then the Host Operator is responsible for the design, procurement,
 3 fabrication and construction or removal of equipment required to create
 4 the required sufficient weight capacity, buoyancy and deck space to allow
 5 the Host Operator to perform the Services. However, the Producers and
 6 the LSPS Owners are responsible for all actual costs incurred by the
 7 Owner in and for such activities and operations referenced above and
 8 required to allow the Host Operator to perform the Services. The Host
 9 Operator in accordance with Exhibit "B" (*Accounting Procedures*) to this
 10 Agreement will directly charge and invoice the Producers of the Isabella
 11 Lease for fifty percent (50%) of such costs and the Producers of the MC
 12 519 Unit Leases for fifty percent (50%) of such costs. All Host
 13 modifications made under Sections 4.4.1 and 4.4.2 will be owned by
 14 Owner.

15
 16 **4.4.3** The Producers and/or the LSPS Owners have the right to use only so much
 17 of the weight capacity, buoyancy and deck space on the Host which is
 18 essential for the installation of the Facility Access Modifications on the
 19 Host.

20
 21 **4.5 Energy Sources**

22 The Owner will provide energy sources for carrying out of the Services, as may
 23 be necessary to fulfill the obligations set forth pursuant to this Agreement from
 24 Owner's existing energy sources.

25
 26 **4.6 Communication Equipment**

27 The Owner, through Host Operator, will provide access, at the Producers' or the
 28 LSPS Owners' sole cost and expense, to the existing communication equipment
 29 (i.e. telephones) on the Host, subject to the Host Operator's guidelines, for use by
 30 the Satellite Operator(s) or the LSPS Operator associated with the performance of
 31 Operating Services by the Host Operator. The Owner may also provide to the
 32 Producers and LSPS Owners, at their sole cost and expense, and subject to any
 33 mutually acceptable agreement(s) that may be required, data transmission
 34 communication line(s), as well as other forms of communication (e.g. microwave
 35 transmissions, fiber optic) which are part of the design and specifications
 36 contemplated in Section 3.2 (*Loop Subsea Production System*) of this Agreement
 37 Section 3.3 (*Facility Access Modification*) of this Agreement, and Section 3.1
 38 (*Satellite Well System*) of this Agreement.

39
 40 **4.7 Emergency Response**

41 **4.7.1** In the event of an emergency, including, but not limited to, a hydrocarbon
 42 leak, explosion, fire, storm, inclement weather or any other situation

which threatens life, the environment, or property, the Host Operator, with no admission or presumption of liability, may promptly take such action as is deemed appropriate by the Host Operator under the circumstances to remedy or alleviate such emergency. Such action includes, but is not limited to, discontinuing the Services, shutting-in the Satellite Leases' subsea wells and/or the LSPS, and initiating emergency response operations. The Host Operator will promptly notify, given the emergency circumstances, the Satellite Operator(s) and/or the LSPS Operator of such emergency by telephone, followed by written notification of the emergency and remedial actions taken.

- 4.7.2 All emergency response costs incurred by the Host Operator which are attributable to the LSPS and/or the Satellite Well System(s) will be reimbursed to the Host Operator by the LSPS Owners and/or the respective Producers, as the case may be. Accordingly, the Host Operator will directly charge and invoice the LSPS Operator on behalf of the LSPS Owners and/or the Satellite Operator(s), on behalf of the respective Producers for such costs.
- 4.7.3 Each Satellite Operator is responsible for making any reports required by governmental agencies for emergencies attributable to the respective Satellite Well System. The LSPS Operator is responsible for making any reports required by governmental agencies for emergencies attributable to the LSPS. The Host Operator is responsible for making any reports required by governmental agencies for emergencies attributable to the Host. The Parties will cooperate to the extent necessary in preparing such reports. All Parties will be provided a copy of any reports filed with governmental agencies in connection with emergency response operations.
- 4.7.4 Subsequent to the emergency, the Host Operator will have the option to conduct a root cause analysis of the event, activity or equipment from which the emergency arose. The cost of the root cause analysis, and any mitigation measures taken to address the issue raising the emergency, shall be paid for by the Owner and/or the Producers and/or the LSPS Owners who caused the emergency, as determined by the Host Operator.

ARTICLE V - FEES & EXPENSES

5.1 Operating and Maintenance Expenses

The Producers and the LSPS Owners shall reimburse the Host Operator, on a monthly basis for expenses incurred for the direct or indirect benefit of each Party as illustrated on Exhibit "F" (*Operating and Maintenance Expenses*) to this Agreement and as defined in this Article V (*Fees & Expenses*).

1
2 **5.1.1 Producers' Expenses**

3
4 The Producers are solely responsible for (i) the Satellite Lease Direct Expenses;
5 (ii) Facility Access Modifications Dedicated System expenses; (iii) the Host
6 Dedicated Facility expenses; and (iv) the Host Common Facilities expenses which
7 are allocated to the Producers pursuant to Section 5.1 (*Operating and*
8 *Maintenance Expenses*) of this Agreement, including Host Operator overhead.
9 The Host Operator will directly charge and invoice each Satellite Operator, on
10 behalf of the Producers, who are responsible on a monthly basis for the expenses
11 within Section 5.1 (*Operating and Maintenance Expenses*) of this Agreement.

12
13 **5.1.2 LSPS Owners' Expenses**

14
15 The LSPS Owners are solely responsible for the LSPS Direct Expenses which are
16 allocated to the LSPS Owners pursuant to Section 5.1 (*Operating and*
17 *Maintenance Expenses*) of this Agreement, including Host Operator overhead.
18 The Host Operator will directly charge and invoice the LSPS Operator, on behalf
19 of the LSPS Owners, who are responsible on a monthly basis for the expenses
20 within Section 5.1 (*Operating and Maintenance Expenses*) of this Agreement..

21
22 **5.1.3 General Principles for Cost Charging.** The following general principles
23 are applicable to the charging of all expenses (exclusive of Capital Expenditure)
24 incurred by the Host Operator:

- 25
26 (a) Costs for the direct and exclusive benefit of either the LSPS or any
27 one of the Satellite Leases will be charged directly to the
28 respective LSPS Operator or Satellite Operator.
- 29
30 (b) Costs incurred for the benefit of multiple fields will be treated as
31 indirect costs and subject to an allocation procedure. Indirect costs
32 will be charged based on allocated production, as determined by
33 the Expense Type (as defined herein below) and Expense Category
34 (as defined herein below) of the costs incurred.
- 35
36 i. The "Expense Type" will be determined based upon the
37 initial estimated cost of any project or single expenditure.
38 All associated expenditures will retain such expense
39 classification even if the actual total expenditure level
40 would have resulted in a different Expense Type.
41 However, if there is a material variance between the actual
42 total expenditure and the initial estimate for the project or
43 single expenditure that was originally classified as Routine
44 Expense, these costs will be re-allocated as a Non-Routine
45 Expense if the re-allocation would materially alter the

1 charges to the applicable Producers and Host Leases.
2 Expense Type will determine the period of throughput to be
3 taken into consideration and will be classified into the
4 following:

- 5 (a) Routine Expenses are projects or single
6 expenditures estimated to cost less than or equal to
7 Three Hundred Thousand and No/100 Dollars
8 (\$300,000) which will be allocated based on the
9 total gross Latest Fully Allocated Production
10 Month; and
11
- 12 (b) Non-Routine Expenses are projects or single
13 expenditures estimated to cost in excess of Three
14 Hundred Thousand and No/100 Dollars (\$300,000)
15 which will be allocated based on the Prior Twelve
16 Months Allocated Production prior to the Host
17 Operators' approval of the expenditure.

18 ii. The "Expense Category" will determine the type of
19 throughput (oil, gas, or LEB of entitlement production)
20 which will be used to allocate costs. Operating expenses
21 will be classified into the following "Expense Category":
22

- 23 (a) "Satellite Leases Direct Expense" includes costs
24 relative to a specific well or group of wells on a
25 Satellite Lease that produce bulk production to the
26 Host for initial separation and processing.
27 Activities included in the Satellite Leases Direct
28 Expense Category include, but are not limited to,
29 the following that are solely attributable to specific
30 Satellite Lease(s):
31
- 32 i. All Routine and Non-Routine operating and
33 maintenance expenses (excluding Capital
34 Expenditure).
35 ii. Expenses for labor, spare parts, replacement
36 parts, tools and equipment rental.
37 iii. All intervention, remote operating vehicle,
38 facility repairs (including subsea
39 components and control systems located on
40 the Host), non-routine well or fluid testing
41 (beyond that required for measurement and
42 allocation of production), and unloading and
43 commissioning expenses.
44

- iv. Emergency response.

v. Expenses for chemicals (excluding MEG that is injected into the umbilical distribution header) and fluid disposal costs. This chemical expense shall be in addition to the bulk handling, storage and injection of chemicals as set forth on Exhibit "E" (*Host Services*) to this Agreement.

vi. Expenses for unscheduled or special transportation (either a special trip or the added cost for a scheduled trip to use a larger or specially equipped vessel to accommodate the Satellite Leases' requirements) of consumables, equipment and supplies.

vii. Non-Routine Expenses for operations at the Host to assist in the diagnosis of subsea and operational problems (e.g. special monitoring of pressures, temperatures and flow rates).

viii. Software design and modification costs, including but not limited to, programming costs to incorporate a new well from an existing Satellite Lease.

ix. Costs incurred due to design flaws, defects, incomplete or inadequate construction, fabrication or commissioning shall be charged to the applicable well or its associated jumper where the problem is located.

"LSPS Direct Expense" includes costs relative to the LSPS. Activities included in the LSPS Direct Expense include, but are not limited to, the following that are solely attributable to the LSPS:

 - i. All Routine and Non-Routine operating and maintenance expenses (excluding Capital Expenditure).
 - ii. Expenses for labor, spare parts, replacement parts, tools, and equipment rental.
 - iii. Expenses for chemicals and fluid disposal costs. Charge the LSPS and not the specific well in which chemicals are injected to facilitate delivery to the LSPS, if the sole

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10 purpose of the chemical injection is for the
11 benefit of the entire LSPS. This chemical
12 expense shall be in addition to the bulk
13 handling, storage and injection of chemicals as
14 per Exhibit "E" (*Host Services*) to this
15 Agreement.

- 16 iv. All intervention, remote operated vehicle,
17 pigging (including freeing stuck pigs), hot
18 oiling, emergency response, repairs, and
19 unloading & commissioning expenses.
20 v. Expenses for unscheduled or special
21 transportation (either a special trip or the
22 added cost for a scheduled trip to use a larger
23 or specially equipped vessel to accommodate
24 the LSPS's requirements) of consumables,
25 equipment and supplies.
26 vi. Expenses for services on gas lift risers and
27 injection equipment not associated with
28 compression.
29 vii. Expenses for operation and maintenance
30 inspection of the loop pigging systems.
31 viii. Costs incurred due to design flaws, defects,
32 incomplete or inadequate construction,
33 fabrication or commissioning of the LSPS
34 shall be charged to the LSPS Direct Expense
35 as a Non Routine expense, if the location can
36 be identified to the source of the problem.

37 (c) **"Facility Access Modifications Dedicated**
38 **System"** includes costs relative to the Facility
39 Access Modifications. Activities included in the
40 Facility Access Modifications Dedicated System,
41 include, but are not limited to, the following that are
42 solely attributable to the Facility Access
43 Modifications:

- 44 i. All Routine and Non-Routine operating and
45 maintenance expenses (excluding Capital
Expenditure).
ii. Expenses for labor, spare parts, replacement
parts, tools, and equipment rental.
iii. Expenses for unscheduled or special
transportation (either a special trip or the
added cost for a scheduled trip to use a
larger or specially equipped vessel to

1 accommodate the Facility Access
2 Modifications Dedicated System's
3 requirements) of consumables, equipment
4 and supplies.

- 5 iv. Expenses for gas lift equipment and services
6 on gas lift injection equipment not
7 associated with compression.
8 v. Special fluid sampling from Facility Access
9 Modifications separators beyond that
10 required under the measurement and
11 allocation procedures.
12 vi. Costs incurred due to design flaws, defects,
13 incomplete or inadequate construction,
14 fabrication or commissioning shall be
15 charged to the applicable Facility Access
16 Modifications Dedicated System as a Non
17 Routine Expense, if the location can be
18 identified to the source of the problem.

19 (d) "Host Dedicated Facility" includes costs relative to
20 equipment located on the Host that is dedicated to
21 service specific oil or gas processing, handling and
22 delivery to the Delivery Point(s). Activities
23 included in the Host Dedicated Facility category
24 include, but are not limited to, the following that are
25 solely attributable to specific Host Dedicated
26 Facility:

- 27 i. All Routine and Non-Routine operating and
28 maintenance expenses (excluding Capital
29 Expenditures.)
30 ii. Expenses for labor, spare parts, replacement
31 parts, tools, and equipment rental.
32 iii. Expenses for chemicals and fluid disposal.
33 iv. All intervention, non-routine testing
34 (including fluid tests not required by the
35 measurement and allocation of production),
36 emergency response, repairs and
37 commissioning.
38 v. Expenses for unscheduled or special
39 transportation (either a special trip or the
40 added cost for a scheduled trip to use a
41 larger or specially equipped vessel to
42 accommodate the Host Dedicated Facilities'

1 requirements) of consumables, equipment
2 and supplies.

3 Expenses for riser gas lift compression.

4 Expenses for the Gas System Host
5 Dedicated Facility includes, but is not
6 limited to, the intermediate booster
7 compressor, MEG ring main, MEG injection
8 system, MEG reclamation system,
9 condensate production heat exchanger and
10 condensate free water knock out.

11 Expenses for the Oil System Host Dedicated
12 Facility includes, but is not limited to, the
13 bulk production heat exchanger, methanol
14 system, crude oil free water knock out, hull
15 flow assurance tanks (wet and dry oil), hull
16 flow assurance ring main piping and hull
17 flow assurance pumps.

18 (e) "Host Common Facilities" include costs relative to
19 equipment located on the Host that is shared or
20 provides service to a combination of the Host
21 Leases, Satellite Leases, and/or Third Party
22 Production. Activities included in Host Common
23 Facilities include, but are not limited to, the
24 following that are solely attributable to Host
25 Common Facilities, unless otherwise indicated:

- 26 i. All Routine and Non-Routine operating and
27 maintenance expenses (excluding Capital
28 Expenditures) not specifically identified as
29 Satellite Leases Direct Expense, LSPS
30 Direct Expense, Facility Access
31 Modifications Dedicated System, or Host
32 Dedicated Facility.
33 ii. Expenses for labor, spare parts, replacement
34 parts, tools, equipment rental, and other
35 consumables.
36 iii. Expenses for chemicals associated with
37 processing or chemicals not specifically
38 associated with a specific Satellite Leases
39 Direct Expense, LSPS Direct Expense,
40 Facility Access Modifications Dedicated
41 Facility, or Host Dedicated Facility.
42 iv. Expenses for labor, spare parts, replacement
43 parts, tools, and equipment rental.

- v. All ROV, structure or intervention, non-routine testing (including fluid tests not required by the Host M&A), emergency response, unloading, repairs and commissioning.
 - vi. Routine well testing, surface fluid sampling (BS&W, gas, water, etc) on inlet separators, metering, allocation of production and reporting as required per the Host M&A or other governing agreement. (Does not include routine maintenance of meters and samplers associated with inlet separators).
 - vii. Expenses related to the documenting and reporting routine well performance of the subsea wells tied back to the Host and performance of the Host.
 - viii. Produced water and solids handling, treating and disposal expenses (excluding well unloading expenses).
 - ix. Utilities (Electrical power, instrument air, control systems, office, quarters, galley, crane, communications center, potable water, ventilation systems, etc.).
 - x. Transportation for personnel, equipment, spare parts and consumables to and from shore base, except for rig operations and except for special trips benefitting only a specific Satellite Leases Direct Expense, LSPS Direct Expense, Facility Access Modifications Dedicated System, or Host Dedicated Facility.
 - xi. On-site (on the host) instruction and training of operations personnel on the host.
 - xii. Expenses for routine on-site operation and maintenance benefitting all subsea production system components installed on the Host.
 - xiii. General administrative services for all operations based on the Host including, but not limited to order, receipt and verification of receipt of parts, tools, supplies and services and manage on-site inventories of such items.

- xiv. Simulator and production allocation software costs not associated with a tie-in of a new production stream.
 - xv. General emergency response preparedness on the Host (availability of materials, etc.).

5.1.4 Cost Charging Procedure. The following cost charging procedure will be implemented by the Host Operator for the different possible permutations of Expense Type and Expense Category for costs and expenses incurred by the Host Operator.

- (a) Satellite Leases Direct Expense (including Routine Expenses and Non-Routine Expenses) incurred at the Host strictly for the benefit of either the Isabela Lease or MC 519 Unit Leases will be borne by the respective Producers but billed to the Satellite Operator. The Satellite Operator(s) will not reapply an overhead charge to Satellite Leases Direct Expense for charges passed down to Producers, once overhead has been applied from the Host Operator.

i. Costs for Isabela Lease well(s) associated jumper line(s) and other dedicated subsea equipment upstream of the LSPS will be borne by the Isabela Producers but billed to the Isabela Satellite Operator.

ii. Costs for the MC 519 Unit Leases well(s), associated jumper line(s) and other dedicated subsea equipment upstream of the LSPS will be borne by the MC 519 Unit Producers but billed to the MC 519 Unit Operator.

(b) LSPS Direct Expense (including Routine Expenses and Non-Routine Expenses) incurred at the Host strictly for the benefit of the LSPS will be borne by the respective LSPS Owners but billed to the LSPS Operator. The LSPS Operator will not reapply an overhead charge to LSPS Direct Expense for charges passed down to LSPS Owners, once overhead has been applied from the Host Operator.

i. Routine Expenses shall be allocated to the LSPS Owners utilizing the LSPS based on the proportion between i) the Latest Fully Allocated Production Month on an OEB basis for the respective Producers utilizing the LSPS and ii) the total OEB throughput in the LSPS during such month.

- ii. Non-Routine Expenses shall be allocated to the LSPS Owners utilizing (or that have utilized) the LSPS based on the proportion between (a) the Prior Twelve Months Allocated Production on an OEB basis for the respective LSPS Owners utilizing the LSPS and (b) the total OEB throughput in the LSPS during such period.
 - (c) Facility Access Modifications Dedicated System (including Routine Expenses and Non-Routine Expenses) incurred at the Host strictly for the benefit of the Facility Access Modifications will be borne by the respective Producers but billed to the applicable Satellite Operator(s). The applicable Satellite Operator(s) will not reapply an overhead charge to Facility Access Modifications Dedicated System costs for charges passed down to Producers, once overhead has been applied from the Host Operator.
 - i. Routine Expenses shall be allocated to the Producers utilizing the Facility Access Modifications based on the proportion between (a) the Latest Fully Allocated Production Month on an OEB basis for the respective Producers utilizing the Facility Access Modifications and (b) the total Satellite Production on an OEB basis in the Facility Access Modifications during such month.
 - ii. Non-Routine Expenses shall be allocated to the Satellite Leases utilizing (or that have utilized) the Facility Access Modifications based on the proportion between (a) the Prior Twelve Months Allocated Produced on an OEB basis for the respective Producers utilizing the Facility Access Modifications and (b) the total Prior Twelve Months Allocated Production of Satellite Production on an OEB basis in the Facility Access Modifications.
 - (d) Expenses for the Gas System Host Dedicated Facility, which includes, but is not limited to, the intermediate booster compressor, MEG ring main, MEG injection system, MEG reclamation system, condensate production heat exchanger & condensate free water knock out as set forth on Exhibit "D" (*Host Facilities Schematic*) to this Agreement and shall be allocated to the Satellite Leases connected to the Gas System Host Dedicated Facility in accordance with the following:
 - i. Routine Expenses shall be allocated to the Satellite Leases utilizing the Gas System Host Dedicated Facility based on the proportion between (a) the Latest Fully Allocated

1 Production Month Gas Production for the respective
2 Satellite Leases and (b) the total Gas Production throughput
3 at the Host during such month.

- 4
- 5 ii. Non-Routine Expenses shall be allocated to the Satellite
6 Leases utilizing (or that have utilized) the Gas System Host
7 Dedicated Facility based on the proportion between (a) the
8 Prior Twelve Months Allocated Production of Gas
9 Production for the respective Satellite Leases and (b) the
10 Prior Twelve Months Allocated Production of total Gas
11 Production throughput at the Host.

12 A well is considered to be connected to the Gas System Host
13 Dedicated Facility when it flows into a separator with a liquids
14 outlet flowing into the condensate free water knock out, and/or Gas
15 from the inlet separator flows to the booster gas compressor or the
16 dehydration system.

- 17
- 18 (e) Expenses for the Oil System Host Dedicated Facility, which
19 includes, but is not limited to, the bulk production heat exchanger,
20 methanol system, crude oil free water knock out, hull flow
21 assurance tanks (wet and dry oil), hull flow assurance ring main
22 piping and hull flow assurance pumps as set forth on Exhibit "D"
23 (*Host Facilities Schematic*) to this Agreement and shall be
24 allocated to the Satellite Leases connected to the Oil System Host
25 Dedicated Facility in accordance with the following:

- 26
- 27 i. Routine Expenses shall be allocated to the Satellite Leases
28 utilizing the Oil System Host Dedicated Facility based on
29 the proportion between (a) Latest Fully Allocated
30 Production Month Oil Production for the respective
31 Satellite Leases and (b) the total Oil Production throughput
32 at the Host during such month.
- 33
- 34 ii. Non-Routine Expenses shall be allocated to the Satellite
35 Leases utilizing (or that have utilized) the Oil System Host
36 Dedicated Facility based on the proportion between (a) the
37 Prior Twelve Months Allocated Production of Oil
38 Production for the respective Satellite Leases and (b) the
39 Prior Twelve Months Allocated Production of total Oil
40 Production throughput at the Host.

41

42 A well is considered to be connected to the Oil System Host
43 Dedicated Facility when it flows into a separator with a liquids
44 outlet flowing into the oil free water knock out.

(f) Expenses for the Host Common Facilities shall be allocated to the Satellite Leases connected to the Host in accordance with the following:

i. Routine Expenses shall be allocated to the Satellite Leases utilizing the Host based on the proportion between (a) the Latest Fully Allocated Production Month relative LEB throughput for the respective Satellite Leases and (b) the total LEB throughput at the Host during such month.

ii. Non-Routine Expenses shall be allocated to the Satellite Leases utilizing (or that have utilized) the Host based on the proportion between (a) the Prior Twelve Months Allocated Production of LEB throughput for the respective Satellite Leases and (b) the Prior Twelve Months Allocated Production of total LEB throughput at the Host.

5.2 Fuel, Flare and Vent Gas

Host fuel, flare and vent gas consumption will be allocated on a monthly basis to the Owner for Non-Satellite Production handling and to the Producers for Satellite Production handling in accordance with this Section 5.2. The value of such gas is not included in Section 5.1 (*Operating and Maintenance Expenses*) of this Agreement.

5.2.1 Fuel, flare and vent gas consumed by certain production handling equipment and facilities located on the Host will be allocated to each Satellite Lease in accordance with the Host M&A.

5.2.2 Each calendar month, the Host Operator will allocate and deduct from each Satellite Lease's share of Gas available for sale its allocated share of fuel, flare and vent gas.

5.3 Infrastructure Access and Handling Fees

In addition to the direct expenses and indirect expenses provided for in Section 5.1 (*Operating and Maintenance Expenses*) of this Agreement and in consideration for: (i) access to the Host; (ii) utilization of Host facilities, including, but not limited to, riser porches and umbilical boarding facilities; (iii) utilization of buoyancy and riser space for the LSPS; (iv) utilization of buoyancy and deck space for the Facility Access Modifications; and (v) for the Services provided by the Owner, the Satellite Operators on behalf of the Producers will pay the Owner consistent with the Host M&A and in accordance with Exhibit "C" (*Accounting Procedures*) to this Agreement, an Infrastructure Access Fee ("IAF")

1 or "Infrastructure Access Fee") and Handling Fee ("HF" or "Handling Fee")
2 for those committed oil and gas reserves set forth only in Section 15.16
3 (*Commitment of Oil and Gas Reserves*) of this Agreement on a monthly basis, as
4 follows:

5 **5.3.1 Infrastructure Access Fee for Isabela Production**

- 6
- 7 (a) Isabela Producers will pay an IAF of [REDACTED] per Barrel of Oil
8 Production allocated to each Producer on a monthly basis.
- 9
- 10 (b) Isabela Producers will pay an IAF of [REDACTED] per MSCF of Gas
11 Production allocated to each Producer on a monthly basis.
- 12
- 13 (c) The IAF for Isabela Oil and Gas within this Section 5.3.1 will be
14 adjusted starting on April 1, 2008 and annually thereafter. The
15 adjustment shall be computed by multiplying the IAF currently
16 applicable by the COPAS Adjustment, but will never be less than
17 the initial amount set forth in (a) and (b) in this Section 5.3.1.
- 18
- 19

20 **5.3.2 Infrastructure Access Fee for MC 519 Unit Production**

- 21
- 22 (a) MC 519 Unit Producers will pay an IAF of [REDACTED] per Barrel of Oil
23 Production allocated to each Producer on a monthly basis.
- 24
- 25 (b) MC 519 Unit Producers will pay an IAF of [REDACTED] per MSCF of
26 Gas Production allocated to each Producer on a monthly basis.
- 27
- 28 (c) The IAF for MC 519 Unit Oil and Gas within this Section 5.3.2
29 will be adjusted starting on April 1, 2010 and annually thereafter.
30 The adjustment shall be computed by multiplying the IAF
31 currently applicable by the COPAS Adjustment, but will never be
32 less than the initial amount set forth in (a) and (b) in this Section
33 5.3.2.
- 34

35 **5.3.3 Handling Fee for Isabela Production**

- 36
- 37 (a) Isabela Producers will pay an Oil handling fee of [REDACTED] per Barrel
38 of Oil Production allocated to each Producer on a monthly basis.
- 39
- 40 (b) Isabela Producers will pay a Gas handling fee of [REDACTED] per MSCF
41 of Gas Production allocated to each Producer on a monthly basis.
- 42
- 43 (c) Isabela Producers will pay a water handling fee of [REDACTED] per Barrel
44 of water allocated to each Producer on a monthly basis.
- 45

- (d) The handling fees for Isabela Oil, Gas, and water within this Section 5.3.3 will be adjusted April 1, 2008 and annually thereafter. The adjustment shall be computed by multiplying the Handling Fee currently applicable by the COPAS Adjustment, but will never be less than the initial amount set forth in (a), (b), and (c) in this Section 5.3.3.

5.3.4 Handling Fee for MC 519 Unit Production

- (a) MC 519 Unit Producers will pay an Oil handling fee of [REDACTED] per Barrel of Oil Production allocated to each Producer on a monthly basis.
 - (b) MC 519 Unit Producers will pay a Gas handling fee of [REDACTED] per MSCF of Gas Production allocated to each Producer on a monthly basis.
 - (c) MC 519 Unit Producers will pay a water handling fee of [REDACTED] per Barrel of water allocated to each Producer on a monthly basis.
 - (d) The handling fees for MC 519 Unit Oil, Gas, and water within this Section 5.3.4 will be adjusted April 1, 2010 and annually thereafter. The adjustment shall be computed by multiplying the Handling Fee currently applicable by the COPAS Adjustment, but will never be less than the initial amount set forth in (a), (b), and (c) in this Section 5.3.4.

5.3.5 Isabela Lease Minimum Monthly Fee

- (a) Effective as of the first Day of the month following Isabela Lease First Production, if the summation of (i) Infrastructure Access Fees for Isabela Production for each product (Oil, Gas) set forth in Section 5.3.1 (*Infrastructure Access Fee for Isabela Production*) of this Agreement, and (ii) Handling Fees for Isabela Production for each product (Oil, Gas, and water) set forth in Section 5.3.3 (*Handling Fee for Isabela Production*) of this Agreement is less than Three Hundred and Fifty Thousand and No/100 Dollars (\$350,000) in any calendar month, the Isabela Operator on behalf of the Producers will be charged and agree to pay to the Host Operator, a fee of Three Hundred and Fifty Thousand and No/100 Dollars (\$350,000) for the Services provided under this Agreement for such calendar month, in lieu of the calculated monthly Infrastructure Access Fees and Handling Fees for Isabela Production set forth in Section 5.3.1 and Section 5.3.3 of this Agreement.

- 1
2 (b) The Isabela Producer's obligation to pay the Host Operator the
3 Isabela Lease minimum monthly fee set forth in Section 5.3.5 (a)
4 of this Agreement will be suspended in the event the Host is
5 incapable of processing and handling Isabela Production for a
6 period greater than fifteen (15) Days in a calendar month as a
7 result of problems occurring at the Host or as a result of conditions
8 of the Host outlined in Articles 9.4.1 (a) to (g) of this Agreement,
9 unless such problems are caused by Isabela Production and/or
10 operations related to the LSPS, or as a result of a Force Majeure
11 event affecting the Satellite System.
- 12
13 (c) The Isabela Lease minimum monthly fee will be adjusted April 1,
14 2008 and annually thereafter. The adjustment shall be computed
15 by multiplying the minimum monthly fee currently applicable by
16 the COPAS Adjustment, but will never be less than the initial
17 amount set forth in Section 5.3.5 (a) of this Agreement.

18
19 **5.3.6 MC 519 Unit Leases Minimum Monthly Fee**

- 20
21 (a) Effective as of the first Day of the month following MC 519 Unit
22 First Production, if the summation of (i) Infrastructure Access Fees
23 for MC 519 Unit Production for each product (Oil, Gas) set forth
24 in Section 5.3.2; and (ii) Handling Fees for MC 519 Unit
25 Production for each product (Oil, Gas, and water) set forth in
26 Section 5.3.4 is less than One Hundred and Fifty Thousand and
27 No/100 Dollars (\$150,000) in any calendar month the MC 519
28 Unit Operator on behalf of the MC 519 Unit Producers will be
29 charged and agree to pay to the Host Operator, a fee of One
30 Hundred and Fifty Thousand and No/100 Dollars (\$150,000) for
31 the Services provided under this Agreement for such calendar
32 month, in lieu of the calculated monthly Infrastructure Access Fees
33 and Handling Fees for MC 519 Unit Production set forth in
34 Sections 5.3.2 and 5.3.4 of this Agreement.
- 35
36 (b) The MC 519 Producer's obligation to pay the Host Operator the
37 minimum monthly fee set forth in Section 5.3.6 (a) of this
38 Agreement will be suspended in the event the Host is incapable of
39 processing and handling MC 519 Unit Production for a period
40 greater than fifteen (15) Days in a calendar month as a result of
41 problems occurring at the Host or as a result of conditions of the
42 Host outlined in Articles 9.4.1 (a) to (g) of this Agreement, unless
43 such problems are caused by MC 519 Unit Production and/or
44 operations related to the LSPS, or as a result of a Force Majeure
45 event affecting the Satellite System.

1
2 (c) The MC 519 Unit Leases minimum monthly fee will be adjusted
3 April 1, 2010 and annually thereafter. The adjustment shall be
4 computed by multiplying the minimum monthly fee currently
5 applicable by the COPAS Adjustment, but will never be less than
6 the initial amount set forth in Section 5.3.6 (a) of this Agreement.
7

8 5.3.7 Payment of the minimum monthly fees set forth in Section 5.3.5 (*Isabela*
9 *Lease Minimum Monthly Fee*) of this Agreement and Section 5.3.6 (*MC*
10 *519 Unit Leases Minimum Monthly Fee*) of this Agreement does not
11 mitigate, eliminate or be in lieu of any obligation to deliver Satellite
12 Production to the Host pursuant to this Agreement, including but not
13 limited to Section 15.16 (*Commitment of Oil and Gas Reserves*) of this
14 Agreement.

15 5.3.8 In no event shall Host Operator charge overhead for Infrastructure Access
16 Fees and Handling Fees set forth in Section 5.3 (*Infrastructure Access Fee*
17 *and Handling Fees*) of this Agreement.
18

19 5.4 Future Governmental Regulations
20

21 5.4.1 The Parties agree that the Handling Fee for produced water, as escalated,
22 attributable to the Satellite Leases as set forth in Section 5.3.3 (*Handling*
23 *Fee for Isabela Production*) of this Agreement and Section 5.3.4
24 (*Handling Fee for MC 519 Unit Production*) of this Agreement will be
25 increased to reflect future increased costs associated with modifications
26 due to government regulations or Laws affecting discharge requirements
27 of treated produced water into the Gulf of Mexico, which are verifiable
28 and attributable to Satellite Production. Such modifications could involve
29 monitoring, testing, or treating (includes adding chemicals) the produced
30 water. The Host Operator will provide justification and a rationale for
31 such cost increase for the Producers' review.
32

33 5.4.2 In addition to Section 5.4.1 (*Future Governmental Regulations*) of this
34 Agreement, the Parties recognize that the regulatory environment could
35 change during the term of the Agreement and such change could result in
36 unforeseen costs to the Owner in order to maintain compliance therewith.
37 Accordingly, the Parties do hereby agree that in the event the Owner
38 incurs additional costs due to changes in federal, state or industry
39 regulations, rules or codes set forth by the Environmental Protection
40 Agency ("EPA"), BOEMRE, Department of Homeland Security, or
41 similar governing authority which regulations are directly related to the
42 provision of Services hereunder, then the Parties will agree on a
43 methodology similar to the methodology set forth in this Article V (*Fees*

1 & Expenses) of this Agreement by which such costs will be recovered by
 2 the Owner.

3

4 **5.5 Owner's Expenses**

5 The Owner is responsible for expenses not allocated to the Producers and LSPS
 6 Owners pursuant to Section 5.1 (*Operating and Maintenance Expenses*) of this
 7 Agreement.

8

9 **5.6 Host Shut Down Compensation**

10 **5.6.1 Compensation for Owner**

11

12 (a) The Owner shall be compensated by the Producers for any and all
 13 Host Leases Oil and Gas Production which is deferred due to Host
 14 downtime that is solely attributable to the fabrication, construction,
 15 installation, hookup, tie-in, inspection, commissioning and/or
 16 operation of facilities (including, without limitation, the LSPS and
 17 Facility Access Modifications) required to handle Satellite
 18 Production. As calculated in Section 5.6.2 (*Compensation
 Methodology*) of this Agreement, the Host Operator will directly
 19 charge and invoice the Producers for deferred production
 20 compensation and the corresponding Producer will pay such
 21 invoice as provided herein. The deferred production compensation
 22 calculated in Section 5.6.2 (*Compensation Methodology*) of this
 23 Agreement will be billed fifty percent (50%) to Isabela Lease
 24 Producers and fifty percent (50%) to MC 519 Unit Leases
 25 Producers.
 26

27

28 (b) In addition to deferred Production compensation, the Owner shall
 29 be reimbursed by the Producers for any incremental costs incurred
 30 by the Owner because of:

- 31
- 32 (i) the costs associated with Host shutdown which are solely
 33 attributable to the Producers' related work activities or
 34 operations shall be billed fifty percent (50%) to Isabela
 35 Lease Producers and fifty percent (50%) to MC 519 Unit
 36 Leases Producers. The Host Operator will directly charge
 37 and invoice each of the Satellite Operator for its share of
 38 such incremental costs; and
- 39
- 40 (ii) the costs associated with Host shutdown which are solely
 41 attributable to a Producer's related work activities or
 42 operations on either the Isabela Lease or the MC 519 Unit
 43 Leases shall be billed one hundred percent (100%) to the

Satellite Operator whose Satellite Lease was responsible for the Host shutdown. The Host Operator will directly charge and invoice the applicable Satellite Operator.

- (c) The Owner shall be reimbursed by the LSPS Owners for any incremental costs incurred by the Owner because of a Host shutdown which is solely attributable to LSPS work activities or operations and not directly attributable to any of the Satellite Leases. The Host Operator will directly charge and invoice each of the LSPS Owners, for its share of such incremental costs which the LSPS Owners will pay as provided herein.

5.6.2 Compensation Methodology

- (a) Compensation for Deferred Host Leases Oil Production ("DOPC") as outlined in Section 5.6.1(a) (*Compensation for Owner*) of this Agreement is equal to:

$$DOPC = (AOPR) \times (SDD) \times (POP) \times (0.35)$$

Where: AOPR = the average daily volume of Host Leases Oil Production delivered to the Delivery Point during the first fourteen (14) Days of the twenty-one (21) Days immediately preceding initiation of the Host shutdown (expressed in gross Barrels per Day, i.e., without any reduction for royalty).

SDD = the duration of such Host shutdown
(expressed in Days to the nearest one-hundredth of a Day), and

POP = the average Prevailing Oil Price during the duration of such Host shutdown (expressed in Dollars per Barrel).

- (b) Compensation for Deferred Host Leases Gas Production ("DGPC") as outlined in Section 5.6.1(a) of this Agreement is equal to:

$$DGPC = (AGPR) \times (HV) \times (SDD) \times (PGP) \times (0.35)$$

Where: AGPR = the average daily volume of Host Leases Gas Production delivered to the Delivery Point during the first fourteen (14) Days of the twenty-one (21) Days immediately preceding initiation of the Host shutdown

1 (expressed in gross MSCF per Day, i.e., without any
2 reduction for royalty),
3
4 HV = the average daily Btu content of the Host
5 Lease Gas Production during the first fourteen (14) Days
6 of the twenty-one (21) Days immediately preceding
7 initiation of the Host shutdown (expressed in MMBtu per
8 MSCF),
9
10 SDD = the duration of the Host shutdown
11 (expressed in Days, to the nearest one-hundredth of a
12 day), and
13
14 PGP = the average Prevailing Gas Price during the
15 duration of the Host shutdown (expressed in Dollars per
16 MMBtu).
17

18 5.6.3 Duration of Shutdown

- 20 (a) At least thirty (30) Days prior to a scheduled shutdown of the Host,
21 the Host Operator will provide the Producers and Owner an
22 estimate of the duration of such shutdown which is solely
23 attributable to LSPS and/or Satellite Leases' related work
24 activities.
25
26 (b) Within sixty (60) Days immediately following completion of a
27 shutdown of the Host, the Host Operator will provide the
28 Producers and Owner with a final report and statement of amounts
29 due as per Section 5.6 (*Host Shut Down Compensation*) reflecting
30 the actual work done and its duration. As per Exhibit "C"
31 (*Accounting Procedures*) each Producer shall pay the amount
32 invoiced.
33

34 5.6.4 Deferred Compensation for Producers

35 If operations are conducted on the Host to provide for handling of Third
36 Party Production, and such operations result in Satellite Production being
37 shut-in, then the Producers shall be entitled to share in any deferred
38 compensation paid by such Third Party to the Owner because of such
39 operations. The sharing of future deferred compensation shall be in the
40 ratio of Satellite Leases Oil Production and Gas Production to total Oil
41 Production and Gas Production processed and handled at the Host prior to
42 the shutdown.
43
44

1 **5.6.5** In no event shall Host Operator charge overhead for DOPC and DGPC set
2 forth in Section 5.6.2 (*Compensation Methodology*) of this Agreement.
3

4 **5.7 Royalties and Taxes**

5 **5.7.1** Each Producer will be solely responsible for payment of the royalties and
6 taxes attributable to its share of Oil Production and Gas Production.
7

8 **5.7.2** This Agreement and the operations hereunder are not intended to create,
9 and will not be construed to create a joint venture, association or
10 partnership with respect to the Parties. If, for United States federal income
11 tax purposes, this Agreement is regarded as a partnership, each Party
12 elects to be excluded from the application of all or any part of the
13 provisions of Subchapter "K", Chapter 1, Subtitle "A" of the United States
14 Internal Revenue Code of 1986, as amended ("Code"), to the extent
15 permitted and authorized by Section 761(a) of the Code and the
16 regulations promulgated thereunder, or similar provisions of applicable
17 state laws.
18

19 **5.8 Third Party Contractors**

20 The Host Operator may, in its sole discretion, utilize the services of Third Party
21 contractors for the purposes of providing the Services and/or implementing this
22 Agreement. The costs of such Third Party services shall be chargeable in
23 accordance with Exhibit "E" (*Operating and Maintenance Expenses*) to this
24 Agreement.
25

26 **5.9 Allocation Factors.**

27 The following allocation factors will be used throughout this Agreement in
28 accordance with Section 7.1 (Measurement and Allocation Procedures) of this
29 Agreement:

30 (a) Each lease LEB allocation factor shall be the sum of the barrel
31 equivalent of entitlement production (Oil Production, Gas
32 Production, and allocated water), as calculated utilizing the total
33 gross Latest Fully Allocated Production Month or Prior Twelve
34 Months Allocated Production, as applicable.
35

36 (b) Each lease Gas Production allocation factor shall be the
37 entitlement gas production (sales, fuel, flare, vent, and gas lift
38 allocated to gas wells and to oil wells), as calculated utilizing the
39 total gross Latest Fully Allocated Production Month or Prior
40 Twelve Months Allocated Production, as applicable.
41

ARTICLE VI - CAPACITY

10 6.1 Host Capacity

11 Subject to the remaining provisions of this Article VI, (Capacity) of this
12 Agreement the Owner will provide, but does not warrant or guarantee, to the
13 Producers capacity for production processing and handling on the Host for
14 Satellite Production. However, upon partial or entire loss of or damage to the
15 Host (or any component of the Host) resulting from any incident, the Owner will
16 have no obligation to repair or replace the Host or any component thereof for
17 purposes of (i) re-connecting the LSPS to the Host, (ii) re-installing the Facility
18 Access Modifications on the Host, (iii) resuming the Production Handling
19 Services or (iv) re-initiating the Operating Services. Notwithstanding the
20 foregoing, nothing contained in this Agreement limits or restricts the Owner from
21 entering into other agreements for the utilization of the Host and/or its related
22 equipment and facilities.

24 6.2 Satellite Leases Capacity

25 Contingent upon the Producers delivering Satellite Production to the Host that
26 conforms to the operating and fluid parameters set forth on Exhibit "G" (*Host*
27 *Fluid Limits/Operating Parameters*) to this Agreement, and subject to Section 6.4
28 (*Production Prioritization*) of this Agreement the Owner agrees to process and
29 handle Satellite Production at production rates not to exceed each of Isabela
30 Capacity or MC 519 Unit Capacity respectively. Producers' utilization of Isabela
31 Capacity and MC 519 Unit Capacity for Satellite Production is subject to
32 curtailment as provided in Section 6.4 (*Production Prioritization*) of this
33 Agreement. Isabela Capacity and MC 519 Unit Capacity will be determined
34 individually for each of the Satellite Leases and for each product (Oil, Gas, and
35 water) on a daily throughput basis.

- (b) In the event the Producers do not utilize the Isabela Capacity and MC 519 Unit Capacity, respectively, during a calendar month, the Owner has the right to utilize, as it deems necessary and free of cost, any unused capacity for such calendar month on an interruptible basis and the Producers will not have the right to make-up such production capacity.

6.2.1 Initial Satellite Fields Capacity

Initial Isabela Capacity shall be the capacity required for processing Isabela Production on the Host and shall be set initially at the volumes set forth in Section 2.2.53 (*Isabella Capacity*) of this Agreement. Initial MC 519 Unit Capacity shall be the capacity required for processing MC 519 Unit Production on the Host and shall be set initially at the volumes set forth in Section 2.2.73(*MC 519 Unit Capacity*) of this Agreement.

6.2.2 Adjusted Satellite Capacity

Every calendar year after the later of Dec 31st, 2014 or the year in which Isabella First Production or MC 519 Unit First Production occurs, the Isabella Capacity and the MC 519 Unit Capacity will be re-determined individually for the next calendar year. The Adjusted Isabella Capacity and the Adjusted MC 519 Unit Capacity will be defined as one hundred percent (100%) of the actual average daily production for such Satellite Field (excepting Satellite Fields or Host related downtime and/or curtailment) processed at the Host during the expiring calendar year. However, in no event will the quantity of adjusted capacity for Isabella Production handling or MC 519 Unit Production handling exceed the quantity of initial capacity set forth in Section 2.2.53 (*Isabella Capacity*) of this Agreement and Section 2.2.73 (*MC 519 Unit Capacity*) of this Agreement respectively.

6.3 Interruptible Capacity

Subject to Section 6.4 (*Production Prioritization*) of this Agreement, Satellite Leases can use available Host Capacity in excess of Isabela Capacity (or Adjusted Isabela Capacity, if applicable) and MC 519 Unit Capacity (or Adjusted MC 519 Unit Capacity, if applicable) respectively on an interruptible basis, without additional approval from Owner. All terms and conditions from this *Agreement* apply to production using interruptible capacity.

6.4 Production Prioritization

At all times Host Leases Production shall have priority use of the Host and Host Capacity over any Satellite Production. At all times Isabela Production shall have priority use of Owner's share of Host and Host Capacity over MC 519 Unit

1 Production and Third Party Production. At all times, MC 519 Unit Production
 2 shall have priority use of Owner's share of Host and Host Capacity over any
 3 Third Party Production processed and handled on the Host after the Effective
 4 Date. In the event of an interruption or reduction in Host Capacity, Isabela
 5 Capacity and MC 519 Unit Capacity for Oil, Gas and water will be reduced
 6 ("Reduced Satellite Fields Capacity") as set forth below. Notwithstanding the
 7 foregoing, the Host Operator shall endeavor to ensure that the Isabela Capacity
 8 and the MC 519 Unit Capacity shall not be less than "production in paying
 9 quantities" as stipulated by the BOEMRE for such Satellite Lease.

10 11 6.4.1 Processing Facility Constraints

12 (a) In the event of an interruption or reduction, whether permanent or
 13 temporary, in the Host Capacity due to: (i) a Force Majeure event or in
 14 preparation for a Force Majeure event, (ii) a planned or unplanned partial
 15 or complete shutdown of the Host or any component of the Host for
 16 maintenance, repair, replacement, construction or inspections, (iii) a
 17 constraint in the Oil Export Pipeline or Gas Export Pipeline, or (iv) a Host
 18 equipment/facility upset or other such operating problems, then the Host
 19 Operator may make reasonable and prudent efforts to promptly restore
 20 normal operations while maintaining safe and efficient production
 21 handling operations and in a manner facilitating the resumption of normal
 22 operations. During such interruption or reduction in Host Capacity, the
 23 Host Operator will allocate the available Host Capacity to the extent it is
 24 safe and practical to do so, in accordance with the priorities provided in
 25 Section 6.4 (*Product Prioritization*) of this Agreement.

26 6.4.2 During time periods when the Host or any component thereof is partially
 27 or totally shut-in, the Isabela Capacity and MC 519 Unit Capacity will be
 28 adjusted in accordance with the priorities provided in Section
 29 6.4. (*Production Prioritization*) of this Agreement to the extent necessary
 30 and the Producers will not have the right to make-up such production.

31 32 33 34 6.5 Production Compatibility

35 The Producers' access to capacity for production processing and handling on the
 36 Host set forth in this Article VI (*Capacity*) assumes that the operating
 37 parameters/conditions of the Satellite System, and each of the Isabela Production
 38 and the MC 519 Unit Production arriving at the Entry Point(s) fully conform to
 39 specifications and characteristics stipulated in Exhibit "G" (*Host Fluid*
 40 *Limits/Operating Parameters*) to this Agreement. Additionally, the terms and
 41 conditions of this Agreement were established and agreed to by the Parties based
 42 on the assumption that the operating parameters/conditions of the Satellite System
 43 and the Satellite Production arriving at all Entry Point(s) fully conform to such
 44 specifications and characteristics.

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2 **6.5.1 Conforming Fluids**

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If Satellite Production arriving at an Entry Point(s) conforms to all of the specifications contained in Exhibit "G" (*Host Fluid Limits/Operating Parameters*) to this Agreement, then any incremental operating costs which may result from handling Satellite Production on the Host, which are not classified as Satellite Leases Direct Expense in Exhibit "F" (*Operating and Maintenance Expenses*) or otherwise designated as costs to be borne solely by the Producers, will be treated as Host Common Facilities in Exhibit "F" (*Operating and Maintenance Expenses*) to this Agreement.

16 **6.5.2 Non-Conforming Satellite Production**

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If Satellite Production arriving at an Entry Point(s) does not conform to one or more of the operating parameters and/or specifications contained in Exhibit "G" (*Host Fluid Limits/Operating Parameters*) to this Agreement ("Non-Conforming Production"), as evidenced to the extent possible by at least three (3) fluid samples taken within a period of seven (7) consecutive Days, and such non-conformance (i) results in incremental Host operating costs, (ii) causes a reduction in the Host Capacity, (iii) causes other operational problems on the Host, or (iv) causes any problem with the Oil Export Pipeline and/or Gas Export Pipeline (hereinafter collectively or individually referred to as a "**Satellite Operating Problem**"), the Host Operator may endeavor, but the Owner is not obligated, to accept and handle such Non-Conforming Production or at its sole discretion may decide to shut-in the well(s) or curtail Isabela Production and/or MC 519 Unit Production, as the case may be, until the Satellite Operating Problem has been rectified by the corresponding Producers in accordance with the following:

- (a) The applicable Producers are solely responsible for all costs and expenses incurred by the Host Operator and/or the Owner:
 - (i) directly resulting from the Satellite Operating Problem (including, without limitation, deferred production); and/or
 - (ii) for reasonable measures taken to rectify or mitigate the Satellite Operating Problem, and/or
 - (iii) which are associated with the Satellite Operating Problem until such problem has been rectified.

The Host Operator will directly charge and invoice the applicable Satellite Operator(s), on behalf of the corresponding Producers, for such costs and expenses.

- (b) Subject to the emergency provisions included in Section 4.7 (*Emergency Response*) of this Agreement and after identifying the Satellite Operating Problem, but prior to initiating any measures to rectify such problem which would result in material expenditures, the Host Operator will provide the respective Producers (with an information copy to the Owner) with a written proposal for measures to rectify the Satellite Operating Problem and an estimate of the associated costs. Notwithstanding the foregoing, the respective Producers shall be responsible for all costs and expenses of all damages or repairs to the Host in connection with Satellite Operating Problems.
 - (c) The Producers will have thirty (30) Days from their receipt of the Host Operator's written proposal submitted pursuant to Section 6.5.2(b) (*Non-Conforming Satellite Production*) of this Agreement to approve such proposal in writing. Failure to respond shall be deemed a non-approval. Should the respective Producers and the Owner fail to determine a mutually acceptable technical alternative to mitigate the incompatibility, the Host Operator has the right to discontinue the Services set forth in Section 4.1.1 (*Production Handling Services*) of this Agreement and Section 4.1.3 (*Operating Services for Satellite Well System*) of this Agreement with respect to the Satellite Production causing the Satellite Operating Problems.

ARTICLE VII - PROCEDURES AND PERMITTING

7.1 Measurement and Allocation Procedures

- 7.1.1** Satellite Production and Non-Satellite Production will be sampled, metered and allocated in accordance with procedures developed and implemented by the Host Operator in compliance with the commingling permit issued by the BOEMRE. The allocation of Satellite Production to the Entry Point will be handled in accordance with the Host M&A. The Host M&A will, to the extent reasonably practicable, use industry practices/standards and, subject to the technical limitations/capabilities of the Host, the LSPS, and the Satellite Well System will apportion Host Production to the Satellite Leases in the same manner as other Host Production is apportioned to the Host Leases and Third Party Leases.

1 **7.1.2** The implementation of the Host M&A is (i) conditioned upon approval by
2 the BOEMRE of the surface commingling application referred to in
3 Section 7.2.1 (*Surface Commingling Permit*) of this Agreement and any
4 subsequent amendments and/or waivers thereto; (ii) subject to and in
5 accordance with the BOEMRE approved surface commingling application
6 referred to in Section 7.2.1(*Surface Commingling Permit*) of this
7 Agreement and any subsequent amendments and/or waivers thereto, and
8 (iii) in accordance with BOEMRE requirements set forth in 30 CFR Part
9 250 Subpart L and any subsequent amendments and/or waivers thereof.

10

11 **7.2 Permits**

12 **7.2.1 Surface Commingling Permit**

13
14 Satellite Production will not be accepted at the Entry Point(s) and will not
15 flow across the Host without first obtaining all required surface
16 commingling permits. The Host Operator will prepare and submit, or
17 cause to be prepared and submitted, any and all required surface
18 commingling permit applications to the BOEMRE (for surface
19 commingling of Satellite Production with Non-Satellite Production) in
20 accordance with all applicable laws, rules and regulations of governmental
21 bodies having jurisdictional authority. The Producers and Owner will
22 cooperate with the Host Operator to the extent necessary to achieve
23 BOEMRE approval of the initial surface commingling application,
24 amendment thereto or subsequently required applications.

25

26 **7.2.2 Other Permits**

27
28 The Satellite Operators, on behalf of the relevant Producers, and the LSPS
29 Operator, as applicable, will obtain, or caused to be obtained, all other
30 required approvals, permits, consents, orders or other documents, without
31 limitation, from all appropriate jurisdictional authorities to produce the
32 Satellite Leases, transport Satellite Production to the Host, and
33 dispose/transport Satellite Production from the Host. Each Satellite
34 Operator, the LSPS Operator, and the Host Operator will cooperate with
35 each other to the extent necessary to obtain such permits, licenses,
36 authorizations and regulatory approvals.

37

38 **7.3 Commingling of Production**

39 At the sole discretion of the Host Operator, the Host Operator may elect to
40 commingle Satellite Production on the Host with Non-Satellite Production. At the
41 direction of the LSPS Operator to the Host Operator, the Host Operator shall
42 commingle MC 519 Unit Production with Isabela Production.

43

1 7.4 Re-Allocations

2 Notwithstanding the audit time period set forth in Exhibit "C" (*Accounting*
3 *Procedures*) to this Agreement, in the event: (i) the BOEMRE requires the Host
4 Operator for any reason to re-allocate production between the Host Leases,
5 Satellite Leases, and/or Third Party Leases; or (ii) a re-allocation is required as the
6 result of a re-allocation pursuant to the Host M&A, the Host Operator has the
7 right to re-allocate production to/from the Host Leases and the Satellite Leases
8 and/or Third Party Leases by implementing: (i) the requirements of the approved
9 surface commingling permit, as may be amended from time to time; or (ii) the
10 Host M&A re-allocations, utilizing reasonable industry practices/standards and
11 regulatory requirements.

7.5 Oil Quality Bank and NGL Bank

The Host Operator reserves the right to develop and implement procedures for an oil quality bank and/or a natural gas liquid(s) ("NGL") bank (or gas processing plant NGL sub-allocation) to address quality differences between Host Leases Production, Satellite Production and/or Third Party Production. Such procedures will, to the extent reasonably practicable, use industry practices/standards and, subject to the technical limitations/capabilities of the Host, the LSPS and the Satellite Well System, will have the objective of providing a fair and equitable compensation methodology among all sources of Host Production.

23 7.6 LSPE Line Fill

24 Owner shall provide, via Host dry oil hull inventory, LSPS line fill after
25 installation of the LSPS. After Satellite First Production, the volume of Host dry
26 oil hull inventory used for LSPS line fill will be credited back to the Owner.

ARTICLE VIII - GATHERING AND TRANSPORTATION

31 8.1 Product Disposition

32 Commencing at the Delivery Point, the Producers will (i) take in kind and remain
33 solely and separately responsible for the disposition, transportation, and sale of
34 Satellite Production and (ii) bear all costs and liabilities associated with such
35 disposition, transportation, and sale. The Owner will have no liability for any
36 costs of production transportation, production processing, penalties and/or
37 associated costs downstream of the Delivery Point which are attributable to the
38 Satellite Production and/or allocated to the Producers (individually and/or jointly).

1 **8.2 Gas Imbalances**

2 Owner will endeavor to implement a Gas balancing procedure at the Host to
 3 handle Gas imbalances between Host Lease Production, Satellite Production and
 4 Third Party Production on a commercially reasonable basis. Until such Gas
 5 balancing procedure has been agreed upon by the Parties and the Host Operator,
 6 the Host Operator will timely provide to the Parties a record of any Gas
 7 production imbalances created on the Host on a monthly basis. The Parties taking
 8 Gas production above their ~~entitlements~~ shall pay royalties on such production,
 9 and the Parties and Host Operator will make a good faith effort to resolve any
 10 imbalances for a month in the succeeding month.

11 **8.3 Product Transportation**

12 Each of the Producers will enter into transportation arrangements or agreements
 13 with the owners of the Oil Export Pipeline and/or the Gas Export Pipeline, as
 14 appropriate, at its own sole cost and expense for its share of Satellite Production.

- 15 **8.3.1** The Parties, independently, will be responsible for submitting, or causing
 16 to be submitted, Gas and/or Oil nominations, as applicable, to the
 17 transporter(s) of such product for their individual respective share of the
 18 appropriate Satellite Production and Host Leases, and for advising the
 19 Host Operator of such nomination. The Parties, independently, will also
 20 be responsible for cooperating with the Host Operator and the transporters
 21 of the Gas and/or Oil to keep their nominations in balance with their
 22 respective deliveries on the Gas and/or Oil transporters' pipeline system.
 23 The Parties will, to the extent possible, endeavor to cause the nominations
 24 of their respective Gas and/or Oil production to closely approximate their
 25 actual production.
- 26 **8.3.2** To the extent required under this Agreement, the Host Operator will
 27 furnish test and production information to the Parties to adjust
 28 nominations.

29 **8.4 Pipeline Penalties**

- 30 **8.4.1** Any penalties assessed by Gas or Oil transporters attributable to the
 31 Satellite Production will be the responsibility of the Producers, unless such
 32 penalties are attributable to the Host Operator's sole fault, and then Host
 33 Operator will be responsible for such penalties. Any ~~penalties~~ assessed by
 34 the Gas or Oil ~~transporters~~ attributable to the Host Leases Production will
 35 be the responsibility of the Owner.
- 36 **8.4.2** Any costs or penalties imposed by the Gas Export Pipeline or the Oil
 37 Export Pipeline on the Host Operator as a result of operational flow

1 orders, unscheduled Gas, unauthorized Gas, Gas pipeline imbalances, or
2 Oil pipeline imbalances with transporters, as described herein, will be
3 borne by each Party, independently, in the proportion that its nomination,
4 failure to nominate, failure to properly regulate production volumes, fault,
5 negligence, or liability without fault, caused such imbalance and/or
6 penalties, except such as may result from the Host Operator's gross
7 negligence or willful misconduct.

ARTICLE IX - SUSPENSION OF OPERATIONS AND FORCE MAJEURE

9.1 Notice

A Party which is unable, in whole or in part, to carry out its obligations under this Agreement due to Force Majeure will promptly give written notice to that effect to the other Party or Parties stating in reasonable detail the circumstances underlying such Force Majeure.

9.2 Suspension of Obligation

The obligations of the Party giving such notice as provided in Section 9.1 (*Notice*) of this Agreement, so far as they are affected by such Force Majeure, will be suspended during the continuance of any liability so caused, but for no longer period, and such cause will be remedied with all reasonable diligence. If such Party is a Producer, then the suspended obligations include the payment of the minimum monthly fee as provided in Section 5.3.5(b) (*Isabela Lease Minimum Monthly Fee*) and Section 5.3.6(b) (*MC 519 Unit Lease Minimum Monthly Fee*). No Party is liable to the other Party or Parties for failure to perform any of its obligations under this Agreement, other than the obligation to pay monies due hereunder (except as provided in the foregoing sentence) to the extent such performance is hindered, delayed or prevented by Force Majeure.

9.3 Resolution

A Party claiming Force Majeure will: (i) diligently use all reasonable and prudent efforts to remedy or remove the cause, condition, or event or circumstance of such Force Majeure, (ii) promptly give written notice to the other Parties of the anticipated termination of the Force Majeure, (iii) resume performance of any suspended obligation as soon as reasonably possible after termination of the Force Majeure, and (iv) not be obligated to settle any labor dispute except on terms acceptable to it in its sole discretion.

1 9.4 Suspension of Operations

2 9.4.1 In addition to the rights granted under Section 4.7 (*Emergency Response*)
3 of this Agreement and Section 9.2 (*Suspension of Obligations*) of this
4 Agreement, the Host Operator has the right to suspend the Services set
5 forth in this Agreement to the extent necessary, at its sole discretion, for
6 only the following:

- 7
- 8 (a) To ensure the safety of persons, property or the environment; or
- 9
- 10 (b) To address the operational integrity or operational problems on the Host, or any other equipment or facilities located on the Host or connected thereto, including the Satellite System and any other production system(s) and/or downstream operations, facilities, or equipment; or
- 11
- 12 (c) To remedy conditions which render the Host, Satellite System, any other production system(s) and/or downstream operations, facilities, or equipment unsafe; or
- 13
- 14 (d) To access or conduct an analysis (e.g. root cause analysis) of any incident on the Host and take whatever action is necessary to ensure re-occurrence of the incident is minimized or eliminated.
- 15
- 16 (e) To conduct any construction, modifications, maintenance, repairs, change or addition to the Host, or any other equipment or facilities located on the Host, connected thereto (including, without limitation the Satellite System) and/or on or in connection with downstream facilities; or
- 17
- 18 (f) To prepare for or respond to the existence of a Force Majeure condition, as further described in Section 2.2.30 (*Force Majeure*) of this Agreement; or
- 19
- 20 (g) To comply with Laws; or
- 21
- 22 (h) To avoid participating in un-permitted operations due to the failure of the LSPS Operator or the Satellite Operator(s) to obtain necessary permits, authorizations or approvals to conduct an operation or if the permit is suspended; or
- 23
- 24 (i) To address a Satellite Operating Problem; or
- 25
- 26 (j) Due to any material breach of this Agreement by the Producers or the LSPS Owners, including, but not limited to, the failure by the

Satellite Operators or the LSPS Operator to pay invoices submitted under Article V (*Fees & Expenses*) of this Agreement and Exhibit "C" (*Accounting Procedures*) to this Agreement subject to Section 9.4.4 herein below; or

- (k) Due to the failure by the Parties to mutually agree on a fair methodology by which the Owner will recover any increased costs associated with changes in governmental regulations as described in Section 5.4 (*Future Governmental Regulations*) of this Agreement, subject to Section 9.4.4 herein below; or
 - (l) The Producers' or the LSPS Owners' failure to provide proper notice in connection with the Services set forth in this Agreement; or
 - (m) The Producers' or the LSPS Owners' failure to conduct operations in accordance with this Agreement, subject to Section 9.4.4 herein below.

9.4.2 The Producers specifically understand that operations and activities on facilities downstream of the Host may impact operations on the Host. Further, at its sole discretion, the Host Operator has the right to shut down the Host and temporarily discontinue the Services contemplated by this Agreement for any necessary repairs or changes to the Host or any downstream facility. In such cases neither the Host Operator nor the Owner will have any liability to the Producers for deferred production, lost production, or any other direct, indirect or consequential damages.

9.4.3 The Host Operator will notify the relevant Parties in writing in the event of any of the occurrences listed above in Section 9.4.1 (*Suspension of Operations*) of this Agreement. The Host Operator has no liability to the Producers or the LSPS Owners for deferred production, lost production, deferred revenue, loss of revenue, damage to flowlines, wells or reservoirs, loss of wells or any direct, indirect or consequential damages arising from such shutdowns. Whenever reasonably possible, the Host Operator agrees to give the Producers, the LSPS Operator and the Satellite Operators reasonable advance notice of any scheduled shutdowns of the Host.

9.4.4 In the event of the occurrence of one (1) or more of the events listed in Sections 9.4.1(j), 9.4.1(k), 9.4.1(l) and 9.4.1(m) of this Agreement, prior to shutting down any operations and activities on the Host or discontinuing the Services, the Host Operator will give the LSPS Operator and/or the respective Satellite Operator(s), as the case may be, written notice of the occurrence of such event. In the event the LSPS Owners

1 and/or the Producers, as the case may be, do not cure same within thirty
 2 (30) Days after receipt of such written notice, the Host Operator has the
 3 right to shutdown the operations and activities and/or discontinue the
 4 Services without incurring any liability or obligation to the Producers.
 5 However, if the event specified in the notice is of such a nature that it
 6 reasonably cannot be corrected within the thirty (30) Day period (other
 7 than the Producers' obligations to make payments of money due
 8 hereunder) and the Producers begin within said period and continue to
 9 take corrective action and thereafter diligently carry such corrective action
 10 to completion, the Host Operator will not shutdown the operations and
 11 activities on the Host or discontinue the Services related to the Host.

12
 13 9.4.5 Should the Host Operator suspend the Services for reasons described in
 14 Section 9.4.1 (*Suspension of Operations*) of this Agreement, the Host
 15 Operator will as soon as reasonably possible after the shutdown event has
 16 been addressed, re-establish such Services; provided, however,
 17 notwithstanding the provisions of Section 15.16 (*Commitment of Oil and*
 18 *Gas Reserves*) of this Agreement, in the event the duration of such
 19 suspension of operations continues for more than ninety (90) consecutive
 20 Days, then the affected Producer(s) shall have the right to temporarily re-
 21 deliver the Isabela Production and/or the MC 519 Unit Production, as the
 22 case may be, to an alternate facility for the provisions of services, similar
 23 in nature to the Production Handling Services. Upon withdrawal of the
 24 suspension of operations, then such temporary re-delivery will be
 25 suspended as soon as reasonably possible and the Isabela Production and
 26 MC 519 Unit Production will be delivered back to the Host for Production
 27 Handling Services.
 28
 29

30 ARTICLE X - TERM, DEFAULT, AND TERMINATION

31 10.1 **Term of Agreement**

32 As of the Effective Date, this Agreement will continue to be in force and effect
 33 until it is terminated pursuant to the voluntary and involuntary provisions set forth
 34 in Sections 10.2 (*Default*) of this Agreement, 10.3 (*Termination by Owner*) of this
 35 Agreement, and 10.4 (*Termination by Producers*) of this Agreement.
 36
 37

38 10.2 **Default**

39 A Party ("Non-Performing Party") shall be in default hereunder ("Default")
 40 upon the occurrence of any of the following events:
 41

42 10.2.1 The failure to perform or comply with any material covenant, term,
 43 condition, obligation or other material provision contained in this

Agreement when such failure has not been remedied by the Non-Performing Party within sixty (60) Days ("Notice Period") following receipt of written notice from another Party describing the alleged non-performance or non-compliance with particularity and demanding that such non-performance or non-compliance be cured or remedied; provided, however, that there is no Default if the failure cannot reasonably be cured within such Notice Period so long as:

- (a) the Non-Performing Party commences and continues reasonable efforts to remedy or cure said failure promptly upon receipt of the written notice;
 - (b) the Non-Performing Party continues these efforts after the Notice Period and until the failure has been cured or remedied; and
 - (c) such remedy or cure has been affected within a reasonable period of time.

10.2.2 The entry of a Party into voluntary or involuntary bankruptcy, receivership or similar protective proceedings; or

10.2.3 The material breach of any representation or warranty contained in Section 15.4 (*Representations and Warranties*) of this Agreement and Section 15.5 (*Warranty of Title*) of this Agreement.

In the event a Non-Performing Party is in Default, any performing Party may terminate this Agreement upon written notice thereof to the Non-Performing Party as per the terms of this Section 10.2 (*Default*) of this Agreement; provided, however, that if the owners of one of the Satellite Leases are the Non-Performing Party, any performing Party may terminate this Agreement only as to such owners. In the event of termination for Default, the Non-Performing Party remains liable for all duties, obligations and liabilities incurred prior to the termination date.

10.3 Termination by Owner

10.3.1 The Owner has the right to terminate this Agreement with respect to the Isabela Lease and its respective Satellite Well System or with respect to the MC 519 Unit Leases and its respective Satellite Well System or with respect to the LSPS, without penalty, as applicable, in the following circumstances:

- (a) In the event the respective Satellite Operator(s), Producers, LSPOs Operator or LSPA Owners are in Default; or

- (b) On not less than ninety (90) Days written notice by the Host Operator to the relevant Satellite Operator, if the BOEMRE issues a decision disapproving the surface commingling permit application submitted by the Host Operator pursuant to Section 7.2.1(*Surface Commingling Permit*) of this Agreement or any other necessary permits and the Owner and relevant Satellite Operator agree that such decision will not be appealed or a revised application has not been filed; or
 - (c) On not less than sixty (60) Days written notice by the Host Operator to the relevant Satellite Operator, if no Satellite Production is delivered to the respective Entry Point for any reason attributable to such Satellite Field Operator, including Force Majeure, for any period of twelve (12) consecutive calendar months during which the Host was available to receive Satellite Production, following the Effective Date of this Agreement.

10.3.2 This Agreement terminates with respect to the Isabela Lease and its respective Satellite Well System and/or with respect to the MC 519 Unit Leases and its respective Satellite Well System and/or with respect to the LSPS, without penalty on not less than one hundred and twenty (120) Days written notice by the Host Operator to the LSPS Operator and/or the relevant Satellite Operator, if destruction of, major damage to, or total or constructive loss of the Host occurs and the Owner elects to not repair or replace the Host for use to provide the Services. The Owner has no obligation to replace or repair the Host.

10.4 Termination by Producers

10.4.1 The Producers of each of the Isabela Lease and the MC 519 Unit Leases, upon their respective unanimous agreement, have the right to terminate this Agreement with respect to the Isabela Lease and/or the MC 519 Unit Leases, as the case may be, in the following circumstances:

- (a) The Owner is in Default; or
 - (b) On not less than ninety (90) Day(s) written notice by the respective Satellite Operator to the Host Operator, if the BOEMRE issues a decision disapproving the surface commingling permit application submitted by the Host Operator pursuant to Section 7.2.1(*Surface Commingling Permit*) of this Agreement or any other necessary permits and the Owner and relevant Satellite Operator agree that such decision will not be appealed or a revised application has not been filed; or

- (c) On not less than sixty (60) Day(s) written notice by the respective Satellite Operator to the Host Operator, if no production handling capacity is available for Satellite Production for any reason, including Force Majeure following Satellite First Production equal to the lesser of (i) twelve (12) consecutive calendar months, (ii) the time period set forth in a suspension of production issued to the respective Satellite Operator by the BOEMRE, or (iii) the time period allowed for suspension of operations or production by the relevant Satellite Lease in the event the BOEMRE refused to issue a suspension of production.

10.4.2 This Agreement terminates with respect to either the Isabela Lease or the MC 519 Unit Leases on not less than one hundred and twenty (120) Day(s) written notice by the respective Satellite Operator to the Host Operator, if delivery of Isabela Production or MC 519 Unit Production to the Host is not technically feasible or economically justifiable in the sole judgment of the relevant Producers. The Agreement termination in this Section 10.4.2 shall only apply to the Satellite Lease affected with no impact on the applicability of the Agreement to the other Satellite Lease, if it continues to produce Oil and Gas or is otherwise being held by operations.

10.4.3 This Agreement terminates with respect to either the Isabela Lease or the MC 519 Unit Leases on not less than one hundred and twenty (120) Day(s) written notice by the relevant Satellite Operator to the Host Operator, upon Permanent Cessation of Production, if the Isabela Production or the MC 519 Unit Production, as the case may be. The Agreement termination in this Section 10.4.3 shall only apply to the Satellite Lease affected by the Permanent Cessation of Production with no impact on the applicability of the Agreement to the other Satellite Lease, if it continues to produce Oil and Gas or is otherwise being held by operations.

10.4.4 This Agreement may be terminated with respect to one of the Satellite Leases without affecting the other. This Agreement shall remain in full force and effect with respect to the Satellite Lease not being terminated. This Agreement may not be terminated by a Party for a reason attributable to another Party if such two (2) Parties are the same Person.

10.5 Responsibilities and Obligations at Termination

The Parties have the following responsibilities upon termination of this Agreement and/or Permanent Cessation of Production from the Isabela Lease and/or the MC 519 Unit Leases:

1 10.5.1 Upon termination of this Agreement as to all Satellite Leases, the LSPS
2 Operator is responsible for:

- 3 (a) the disconnection of the LSPS from the Entry Point(s);
4 (b) the removal of the LSPS located within one thousand and five
5 hundred (1500) feet of the Host; and
6 (c) the repair of any damages to the Host resulting from the
7 operations described in Section 10.5.1(a) and Section 10.5.1(b)
8 above if deemed necessary by the Owner.

9 The disconnection and removal work contemplated in this Section 10.5.1
10 shall be at the LSPS Owners sole cost and expense, and shall be performed
11 pursuant to a schedule approved by the Host Operator.

12 10.5.2 Disconnection of the LSPS in accordance with Section 10.5.1
13 (*Responsibilities and Obligations at Termination*) of this Agreement will
14 be commenced by the LSPS Operator within twelve (12) months
15 subsequent to the termination of this Agreement as to all Satellite Leases
16 and the LSPS Operator will diligently complete such disconnection and
17 removal. All disconnection and removal work performed by or on behalf
18 of the LSPS Owners will be performed in compliance with all applicable
19 Laws, orders, permits, rules, regulations and requirements of appropriate
20 governmental agencies.

21 10.5.3 In the event the LSPS Operator fails to timely perform its disconnection
22 and removal obligations within the applicable time periods as specified in
23 Section 10.5.2 (*Responsibilities and Obligations at Termination*) of this
24 Agreement, the Host Operator may at its election perform such work and
25 invoice the LSPS Operator on behalf of the LSPS Owners, for all actual
26 costs and expenses associated with the disconnection and removal work
27 plus a thirteen per cent (13%) overhead. However, prior to the Host
28 Operator performing such disconnection and removal work, the Host
29 Operator is required to give the LSPS Operator written notice of its intent
30 to perform the disconnection and removal work. In the event the LSPS
31 Operator does not commence and continue disconnection and removal
32 work within thirty (30) Days after receipt of such written notice, the Host
33 Operator has the right to perform disconnection and removal work related
34 to the LSPS without incurring any liability or obligation to the LSPS
35 Operator for such disconnection and removal work. In the event the Host
36 Operator conducts the disconnection and removal work, the Host Operator
37 will directly charge and invoice the LSPS Operator, on behalf of the LSPS
38 Owners who are responsible for any costs associated with such
39 disconnection and removal work.

10.5.4 The Owner is responsible for the abandonment of the Host including, but not limited to, the Facility Access Modifications.

(a) During the term hereof, notwithstanding the automatic termination of this Agreement, as specified under Article X (*Term, Default, and Termination*) of this Agreement, if (i) the Owner determines in its sole judgment that it is no longer economic to operate the Host, and (ii) the Owner determines it will permanently cease operations of will abandon the Host then the Host Operator will give written notice thereof to the Producers ("**Abandonment Notice**"). Within ninety (90) Days following the date of the Host Operator's Abandonment Notice, the Parties will mutually agree to pursue one of the following options:

(i) Terminate this Agreement as of a mutually acceptable effective date. Failure to reach agreement between the Producers and the Owner on an effective date under this option within such ninety (90) Days shall result in termination of this Agreement; or

(ii) Negotiate an agreement to provide otherwise. Failure to reach a definitive agreement between the Producers and Owner on a future course of action under this option within such ninety (90) Days shall result in termination of this Agreement.

10.5.5 Upon termination of this Agreement, each Party remains responsible for any accrued financial obligations by that Party with respect to another Party under the terms of this Agreement and will promptly settle such obligations, including any unpaid invoices.

ARTICLE XI - LIABILITIES AND INDEMNIFICATION

11.1 Liabilities

For purposes of this Article XI (*Liabilities and Indemnification*), in the event that a Party is a Producer, LSPS Owner and Owner, then all of said Party's actions in performing any of the functions contemplated in Section 11.1.1 are conclusively presumed to have been performed in the role of LSPS Owner. Similarly, all of said Party's actions in performing any of the functions contemplated in Section 11.1.2 are conclusively presumed to have been performed in the role of Owner. Similarly, all of said Party's actions in performing any of the functions contemplated in Section 11.1.3 are conclusively presumed to have been

1 performed in the role of Producer. NOTWITHSTANDING ANYTHING TO
2 THE CONTRARY CONTAINED IN THIS AGREEMENT, THIS
3 ARTICLE XI (*LIABILITIES AND INDEMNIFICATION*) SHALL
4 GOVERN THE INDEMNITY AND DEFENSE OBLIGATIONS OF THE
5 PARTIES UNDER THIS AGREEMENT.

6

7 **11.1.1 LSPS OWNERS' INDEMNITY OBLIGATIONS FOR LSPS**
8 **OWNERS:** LSPS OWNERS SHALL INDEMNIFY OWNER'S
9 GROUP AND PRODUCERS GROUP FROM AND AGAINST ALL
10 CLAIMS/LOSSES FOR THE FOLLOWING WHEN CONNECTED
11 WITH THIS AGREEMENT:

- 12
- 13 (a) all injuries to, deaths, or illnesses of any member of
14 LSPS Owners Group; and
15
- 16 (b) all damages to or losses of any property of any member
17 of LSPS Owners Group,

18

19 EVEN IF CAUSED BY THE NEGLIGENCE/FAULT OF OWNER'S
20 GROUP, PRODUCERS GROUP OR ANY OTHER PERSON; AND
21 TO THE EXTENT CAUSED BY THE NEGLIGENCE/FAULT OF
22 LSPS OWNERS GROUP, EVEN IF CONTRIBUTED TO BY THE
23 JOINT OR CONCURRENT NEGLIGENCE/FAULT OF OWNER'S
24 GROUP, PRODUCERS GROUP OR ANY OTHER PERSON;
25 PROVIDED, HOWEVER, THAT NOTWITHSTANDING
26 ANYTHING CONTAINED IN THIS AGREEMENT TO THE
27 CONTRARY, LSPS OWNERS SHALL NOT INDEMNIFY ANY
28 MEMBER OF OWNER'S GROUP OR PRODUCERS GROUP TO
29 THE EXTENT ANY THIRD PARTY IS CONTRACTUALLY OR
30 LEGALLY OBLIGATED TO INDEMNIFY SUCH MEMBER OF
31 OWNER'S GROUP OR PRODUCERS GROUP FOR SUCH
32 CLAIMS/LOSSES.

33

34 **11.1.2 OWNER'S INDEMNITY OBLIGATIONS FOR OWNER:** OWNER
35 SHALL INDEMNIFY LSPS OWNERS GROUP AND PRODUCERS
36 GROUP FROM AND AGAINST ALL CLAIMS/LOSSES FOR THE
37 FOLLOWING WHEN CONNECTED WITH THIS AGREEMENT:

- 38
- 39 (a) all injuries to, deaths, or illnesses of any member of
40 Owner's Group; and
41
- 42 (b) all damages to or losses of any property of any member
43 of Owner's Group,

EVEN IF CAUSED BY THE NEGLIGENCE/FAULT OF LSPS OWNERS GROUP, PRODUCERS GROUP OR ANY OTHER PERSON; AND TO THE EXTENT CAUSED BY THE NEGLIGENCE/FAULT OF OWNER'S GROUP, EVEN IF CONTRIBUTED TO BY THE JOINT OR CONCURRENT NEGLIGENCE/FAULT OF LSPS OWNERS GROUP, PRODUCERS GROUP OR ANY OTHER PERSON; PROVIDED, HOWEVER, THAT NOTWITHSTANDING ANYTHING CONTAINED IN THIS AGREEMENT TO THE CONTRARY, OWNER SHALL NOT INDEMNIFY LSPS OWNERS GROUP OR PRODUCERS GROUP TO THE EXTENT ANY THIRD PARTY IS CONTRACTUALLY OR LEGALLY OBLIGATED TO INDEMNIFY SUCH MEMBER OF LSPS OWNERS GROUP OR PRODUCERS GROUP FOR SUCH CLAIMS/LOSSES.

11.1.3 **PRODUCERS' GENERAL INDEMNITY OBLIGATIONS FOR PRODUCERS:** PRODUCERS SHALL INDEMNIFY OWNER'S GROUP AND LSPS OWNERS GROUP FROM AND AGAINST ALL CLAIMS/LOSSES FOR THE FOLLOWING WHEN CONNECTED WITH THIS AGREEMENT:

- (a) all injuries to, deaths, or illnesses of any member of Producers Group; and
- (b) all damages to or losses of any property of any member of Producers Group,

EVEN IF CAUSED BY THE NEGLIGENCE/FAULT OF OWNER'S GROUP, LSPS OWNERS GROUP OR ANY OTHER PERSON; AND TO THE EXTENT CAUSED BY THE NEGLIGENCE/FAULT OF THE PRODUCERS GROUP, EVEN IF CONTRIBUTED TO BY THE JOINT OR CONCURRENT NEGLIGENCE/FAULT OF OWNER'S GROUP, LSPS OWNERS GROUP OR ANY OTHER PERSON; PROVIDED, HOWEVER, THAT NOTWITHSTANDING ANYTHING CONTAINED IN THIS AGREEMENT TO THE CONTRARY, PRODUCERS SHALL NOT INDEMNIFY ANY MEMBER OF OWNER'S GROUP OR LSPS OWNERS GROUP TO THE EXTENT ANY THIRD PARTY IS CONTRACTUALLY OR LEGALLY OBLIGATED TO INDEMNIFY SUCH MEMBER OF OWNER'S GROUP OR LSPS OWNERS GROUP FOR SUCH CLAIMS/LOSSES.

1 **11.1.4 NOTICE AND DEFENSE**

- 2
- 3 (a) The Indemnitee shall promptly give to the Indemnitor notice in
4 writing of (i) any Claim/Loss that has been made known to the
5 representative of Indemnitee as referenced in this Article XI
6 (*Liabilities and Indemnification*) of this Agreement, or (ii)
7 proceedings commenced for which Indemnification is claimed.
8 Such notice shall state with as much detail as is reasonably
9 practicable the facts and circumstances giving rise to the
10 Claim/Loss against the Indemnitee. Notwithstanding the
11 foregoing, if the Indemnitor is obligated to Indemnify the
12 Indemnitee (or any other Person pursuant to this Agreement), lack
13 of prompt notice shall not be a defense available to the Indemnitor
14 except to the extent prejudice against the Indemnitor has resulted
15 from such lack of prompt notice.
- 16
- 17 (b) The Indemnitor shall confer with the Indemnitee concerning the
18 Defense of any such Claim/Loss proceedings but, subject to the
19 provisions of this Article XI (*Liabilities and Indemnification*) of
20 this Agreement and any other applicable provisions of this
21 Agreement, if the Indemnitor has assumed the full Defense of the
22 Claim/Loss without qualification, the Indemnitor or its insurer
23 shall retain control of the conduct of such Defense, including but
24 not limited to the selection and management of counsel. The
25 Indemnitee shall cooperate to the extent reasonably necessary to
26 assist the Indemnitor in defending the Claim/Loss.
27 Notwithstanding the foregoing, however, even if the Indemnitor
28 has assumed the full Defense of the Claim/Loss without
29 qualification, neither Party shall effect settlement of or
30 compromise any such Claim/Loss proceedings without having
31 obtained the prior written consent of the other Party. If the
32 Indemnitee does not consent to a settlement that the Indemnitor is
33 willing to accept, then the Indemnitor's liability shall be limited to
34 the amount for which the lawsuit could have been settled
35 (including all Defense costs incurred by Indemnitor). If the
36 Indemnitor has assumed the full Defense of the Claim/Loss
37 without qualification, the Indemnitee may, upon written notice to
38 the Indemnitor and at the Indemnitee's sole cost and expense,
39 select its own counsel to participate in and be present for the
40 defense of any such Claim/Loss proceeding, provided such counsel
41 shall not take any action in the course of such Claim/Loss
42 proceeding to prejudice the Indemnitor's Defense of such
43 Claim/Loss proceeding.
- 44

- (c) Should the Indemnitor contest the Defense obligation and not assume the full Defense of the Claim/Loss, the Indemnitee may defend such Claim/Loss in such manner as it may deem appropriate, including, without limitation, settling such Claim/Loss, after giving prior written notice of the same to the Indemnitor, on such terms and conditions as the Indemnitee may deem reasonable and appropriate. The Indemnitor shall reimburse the Indemnitee for costs incurred in connection with such Claim/Loss, including the cost of settlement, within thirty (30) Days from receipt of any invoice for such costs.
 - (d) For avoidance of doubt, if gross negligence or willful misconduct is alleged along with Negligence/Fault, the term ""Indemnify"" or ""Indemnification"" includes the duty to provide a full Defense even though gross negligence or willful misconduct is alleged and even though the Indemnitor is not obligated to pay any portion of an award of damages allocated to the Indemnitee's gross negligence or willful misconduct. However, in the event that the Indemnitee is found by a final and unappealable decision of a court of competent jurisdiction to have been grossly negligent or to have acted with willful misconduct, then the Indemnitee shall refund all Defense costs attributable to the defense of the Indemnitee's gross negligence or willful misconduct.

11.2 Indemnification With Respect to Warranty of Title

11.2.1 Satellite Production

THE RELEVANT PRODUCERS WILL INDEMNIFY, OWNER'S GROUP AND LSPS OWNERS GROUP AGAINST ALL CLAIMS, SUITS, ACTIONS, DEBTS, LIENS, ACTS, DAMAGES, COSTS, LOSSES AND EXPENSES BROUGHT BY ANY PERSON(S) CHALLENGING, OR CLAIMING AN ENTITLEMENT TO, THE OWNERSHIP OF SATELLITE PRODUCTION AND ANY ROYALTIES OR OTHER INTERESTS BURDENING SUCH OWNERSHIP.

11.2.2 Non-Satellite Production

OWNER WILL INDEMNIFY THE RELEVANT PRODUCERS' GROUP AND LSPS OWNERS GROUP AGAINST ALL CLAIMS, SUITS, ACTIONS, DEBTS, LIENS, ACTS, DAMAGES, COSTS, LOSSES AND EXPENSES BROUGHT BY ANY PERSON(S) CHALLENGING, OR CLAIMING AN ENTITLEMENT TO, THE OWNERSHIP OF THE NON-SATELLITE PRODUCTION AND ANY

1 ROYALTIES OR OTHER INTERESTS BURDENING SUCH
2 OWNERSHIP.

3

4 **11.3 Waiver of Consequential Damages**

5 (a) EACH PARTY:

- 6 (i) AGREES THAT ONLY ACTUAL DAMAGES SHALL BE
7 RECOVERABLE BY IT AGAINST ANY OTHER PARTY'S
8 GROUP EVEN IF CAUSED BY A PARTY'S GROSS
9 NEGLIGENCE OR WILLFUL MISCONDUCT.; AND
10 (ii) HEREBY WAIVES ANY RIGHT TO RECOVER SPECIAL,
11 PUNITIVE, CONSEQUENTIAL, INDIRECT, INCIDENTAL OR
12 EXEMPLARY DAMAGES FOR CLAIMS/LOSSES ARISING
13 UNDER THIS AGREEMENT FROM OR AGAINST ANY
14 OTHER PARTY'S GROUP, INCLUDING, WITHOUT
15 LIMITATION, CLAIMS FOR LOSS OR DEFERMENT OF
16 PRODUCTION OR LOST OR DEFERRED PROFITS OR
17 BUSINESS INTERRUPTION, DAMAGE TO WELL(S) OR
18 RESERVOIRS, OR LOSS OF WELL(S), EVEN IF CAUSED BY
19 A PARTY'S GROSS NEGLIGENCE OR WILLFUL
20 MISCONDUCT.

21
22 (b) THE INDEMNITY OBLIGATIONS CONTAINED IN THIS
23 AGREEMENT INCLUDE INDEMNIFICATION FOR
24 CONSEQUENTIAL, INDIRECT, INCIDENTAL OR EXEMPLARY
25 DAMAGES FOR CLAIMS/LOSSES ARISING UNDER THIS
26 AGREEMENT SUFFERED BY AN UNAFFILIATED THIRD-PARTY
27 AND 11.3(a)(i) AND 11.3(a)(ii), ABOVE, SHALL NOT APPLY TO
28 THE EXTENT SUCH PARTY OWES SUCH DAMAGES TO AN
29 UNAFFILIATED THIRD-PARTY IN CONNECTION WITH A THIRD-
30 PARTY CLAIM, IN WHICH EVENT SUCH DAMAGES SHALL BE
31 RECOVERABLE.

32

33

34 **11.4 Individual Obligations**

35 Except as otherwise provided herein, the Owner, LSPS Owners, Isabela Lease
36 owners (collectively) and the MC 519 Unit owners (collectively) will be
37 responsible only for their respective share of the costs and liabilities incurred as
38 provided in this Article XI (*Liabilities and Indemnification*) of this Agreement.
39 Except as provided in Section 5.7 (*Royalty and Taxes*) of this Agreement, nothing
40 contained herein will ever be construed as creating a partnership, joint venture,
41 association or other character of business entity recognizable in law for any
42 purpose. Each Party will hold all the other Parties harmless from liens and

1 encumbrances on the Host Leases, Host, Satellite Leases, and LSPS as a result of
2 its acts.

3

4 **11.5 Gross Negligence/Willful Misconduct**

5 The terms "gross negligence" and "willful misconduct" as used in this Agreement
6 shall not include the definition set forth in the Oil Pollution Act of 1990 as
7 amended ("OPA 90"). It being the intent of the Parties that even though an act or
8 omission is deemed "gross negligence" or "willful misconduct" under OPA 90,
9 such act or omission ~~must~~ meet the standards set forth by the laws of the State of
10 Texas for "gross negligence" or "willful misconduct" in order to relieve a Party of
11 its indemnification obligations hereunder.

12
13

14 **ARTICLE XII - INSURANCE AND BONDS**

15

16 **12.1 Insurance**

17 **12.1.1** Throughout the term of this Agreement, each Party hereto, at its sole cost
18 and expense, will procure such insurance (or self insure, only allowed if
19 the parent company of an original signatory Party hereto or an Affiliate of
20 an original signatory Party has a credit rating of S&P A- or the equivalent)
21 as it deems necessary in discharging its obligations hereunder, including
22 those necessary to protect against all claims for damages, risk of losses
23 and contractual indemnities covered by this Agreement. All policies of
24 insurance purchased which are intended to cover any damages, liabilities,
25 expenses, losses, claims, costs (including attorneys' fees), suits and causes
26 of action incurred by a Party hereunder will be properly endorsed to waive
27 the insurer's rights of subrogation, under any such policies, against the
28 other Parties hereto (or said Parties' respective insurers) when said Party is
29 released from liability or loss or damage pursuant to this Agreement, and
30 may name the other Parties (subject to such other Parties' approval) as an
31 additional insured in the proportion that indemnity obligations are
32 assumed hereunder.

33

34 **12.1.2** The Host Operator, LSPS Operator, Satellite Operators and Producers will
35 maintain the insurance coverage provided in Exhibit "H" (*Insurance
36 Provisions*) to this Agreement.

37

38 **12.2 Bonds**

39 The Host Operator, LSPS Operator and the Satellite Operators will obtain and
40 maintain any and all bonds required to be carried by any applicable law,
41 regulation, or rule. The Host Operator, LSPS Operator and the Satellite Operator

1 will require all contractors to obtain and maintain all bonds required to be carried
2 by any applicable law, regulation, or rule.
3
4

5 **ARTICLE XIII - SUCCESSORS AND ASSIGNS**
6

7 **13.1 Successors and Assigns**

8 This Agreement is binding upon and inures to the benefit of the Parties and their
9 respective heirs, successors and assigns. Each Party will incorporate in any
10 assignment or transfer of its interest in the Host, the Isabela Lease, the MC 519
11 Unit Leases or the LSPS a provision that such assignment is subject to this
12 Agreement.
13

14 **13.2 Assignment**

15 **13.2.1** The Producers and the LSPS Owners or each individual member of the
16 Producers and the LSPS Owners have the right at any time to assign its or
17 their rights and obligations in this Agreement in whole or in part to an
18 Affiliate without the prior written consent of the Owner, or to any Third
19 Party that is financially responsible with the prior written consent of the
20 Owner, such consent not to be unreasonably withheld. The sale or transfer
21 of any ownership interest in the Satellite Leases and the LSPS will not be
22 subject to the prior written consent of the Owner but will be made subject
23 to the rights, duties and obligations of this Agreement, and any such
24 transferee will be obligated to ratify and join this Agreement. Written
25 notice of the completion of any sale or transfer must be given to the Host
26 Operator within sixty (60) Days of the completion of such transaction and
27 no assignment will be effective until such sixty (60) Days time period
28 concludes. The Producers remain responsible for any costs incurred by
29 the Producers, under the terms of this Agreement prior to (a) the Producers
30 receipt of written consent of the assignment from the Owner, (b) Host
31 Operator's receipt of written notice of the assignment and (c) the
32 assignee's ratification and joinder to this Agreement.
33

34 **13.2.2** The sale or transfer by the Owner of any ownership interest in the Host
35 will be made subject to the Owner's rights, duties and obligations under
36 this Agreement, and any such transferee of such rights, duties and
37 obligations is obligated to ratify and join this Agreement. Written notice
38 of the completion of any such sale or transfer must be given to the
39 Producers within thirty (30) Days of the completion of such transaction.
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ARTICLE XIV - NOTICES

14.1 Giving and Responding to Notices

Unless otherwise specifically provided herein to the contrary, all notices, responses, demands, waivers, consents and other communications required or permitted to be given under this Agreement will be made in writing, and delivered to the designated representative in person, by facsimile transmission (followed by a telephone call confirming receipt), by U.S. mail, by overnight express or courier, in each instance with proof of delivery. Notices and responses are deemed to have been duly given and to have become effective (i) upon receipt if delivered in person; (ii) upon receipt if given by facsimile so long as receipt is confirmed by telephone, (iii) two (2) Business Days after having been delivered to an air courier for overnight delivery; or (iv) upon receipt after having been deposited in the U.S. mail, in each instance all fees prepaid. Any such notice is required to and will be directed to the Party, or its permitted assignee. Failure to timely respond to any matter requiring consent is deemed a negative response to such proposal. The following addresses will remain effective until such time as a Party changes its address for notice by giving to the other Parties in accordance with this Section 14.1 (*Giving and Responding to Notices*) of this Agreement.

If to the Isabela Operator, to:

Payments:

BP America Production Company
P.O. Box 848129
Dallas, Texas 75284-8129

Operational Matters:

BP Exploration & Production, Inc.
200 Westlake Park Blvd.
Houston, Texas 77079
Attn: Starlee Waligura, Na Kika Area Operations Manager
Telephone: (281) 366-1494
Facsimile: (281) 366 2512

Notices:

BP Exploration & Production, Inc.
200 Westlake Park Blvd.
Houston, Texas 77079
Attn: Kemper Howe, Gulf of Mexico Land Manager
Telephone: (281) 366-1278
Facsimile: (281) 366-7569

1 If to the MC 519 Unit Operator, to:

2 Payments:

3 Noble Energy, Inc.
4 P.O. Box 909
5 Ardmore, Oklahoma 73042
6 Attn: Accounts Payable, Deepwater Gulf of Mexico

7 Operational Matters:

8 Noble Energy, Inc.
9 100 Glenborough Drive, Suite 100
10 Houston, Texas 77067
11 Attn: Charles I. Hutto, Deepwater Production Manager
12 Telephone: (281) 876-6277
13 Facsimile: (281) 876-3000

14
15 Notices:

16 Noble Energy, Inc.
17 100 Glenborough Drive, Suite 100
18 Houston, Texas 77067
19 Attn: Daniel S. Mills, Deepwater Land Manager
20 Telephone: (281) 874-6063
21 Facsimile: (281) 876-6300

22
23
24 If to the Host Operator, to:

25 Payments:

26 BP America Production Company
27 P.O. Box 848129
28 Dallas, Texas 75284-8129

30 Operational Matters:

31 BP Exploration & Production, Inc.
32 200 Westlake Park Blvd.
33 Houston, Texas 77079
34 Attn: Starlee Waligura, Na Kika Area Operations Manager
35 Telephone: (281) 366-1494
36 Facsimile: (281) 366-2512

1 Notices:

2 BP Exploration & Production, Inc.
3 200 Westlake Park Blvd.
4 Houston, Texas 77079
5 Attn: Kemper Howe, Gulf of Mexico Land Manager
6 Telephone: (281) 366-1278
7 Facsimile: (281) 366-7569

8
9
10 If to the Owner, to:

11 Notices:

12 BP Exploration & Production, Inc.
13 200 Westlake Park Blvd.
14 Houston, Texas 77079
15 Attn: Kemper Howe, Gulf of Mexico Land Manager
16 Telephone: (281) 366-1278
17 Facsimile: (281) 366-7569

18
19
20 If to the Producers and LSPS Owners to:

21 (a) BP Exploration & Production, Inc.

22 Notices:

23 BP Exploration & Production, Inc.
24 200 Westlake Park Blvd.
25 Houston, Texas 77079
26 Attn: Kemper Howe, Gulf of Mexico Land Manager
27 Telephone: (281) 366-1278
28 Facsimile: (281) 366-7569

29 Production Nomination Notices:

30 BP Exploration & Production, Inc.
31 201 Helios Way
32 Houston, Texas 77079
33 Attn: Tim Cooper, Operations Services Representative
34 Telephone: (713) 323-5824
35 Facsimile: (713) 323-7468

36
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39

1 (b) Noble Energy, Inc.
2
3 Notices:
4 Noble Energy, Inc.
5 100 Glenborough Drive, Suite 100
6 Houston, Texas 77067
7 Attn: Daniel S. Mills, Deepwater Land Manager
8 Telephone: (281) 874-6063
9 Facsimile: (281) 876-6300

10 Production Nomination Notices:
11
12 Noble Energy, Inc.
13 100 Glenborough Drive, Suite 100
14 Houston, Texas 77067
15 Attn: Melissa Lawrence, Gas Control Manager
16 Telephone: (281)-876-8853
17 Facsimile: (281)876-8845

18
19 (c) Red Willow Offshore, LLC
20
21 Notices:
22 1415 Louisiana St., Ste. 3650
23 Houston, Texas 77002
24 Attn: Rex Richardson
25 Telephone: (281)-822-7509
26 Facsimile: (281)-822-7501

27 Production Nomination Notices:
28
29 14933 Highway 172
30 P.O. Box 369
31 Ignacio, Colorado 81137
32 Attn: Cindy Percell
33 Telephone: (970)-563-5212 (Direct)
34 (970)-563-5210 (Main)
35 Facsimile: (970)-563-5211
36

1 (d) Houston Energy Deepwater Ventures I, LLC
2
3

4 Notices:
5
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10
11 1415 Louisiana St. Ste. 2400
12 Houston, Texas 77002
13 Attn: P. David Amend
14 Telephone: 713-586-5712
15 Facsimile: 713-650-8305
16

17 Production Nomination Notices:
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25 1415 Louisiana St. Ste. 2400
26 Houston, Texas 77002
27 Attn: P. David Amend
28 Telephone: 713-586-5712
29 Facsimile: 713-650-8305
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38 **14.2 Content of Notice**

39 Any notice which requires a response within a time period will indicate the
40 applicable response time. Any notice must contain sufficient detail to allow the
41 Parties to adequately evaluate the scope, timing, costs, etc. of the matter/proposal.
42
43

44 **ARTICLE XV - ADMINISTRATIVE AND MISCELLANEOUS**
45
46

47 **15.1 Infrastructure Disclaimer**

48 THE PRODUCERS HAVE INSPECTED THE HOST AND THE PRODUCERS
49 ASSUME ALL RISKS TO THE COMPONENTS OF THE FACILITY ACCESS
50 MODIFICATIONS ATTENDANT OR RELATED TO THE PLACING OF
51 COMPONENTS OF THE FACILITY ACCESS MODIFICATIONS THEREON,
52 AND WILL HOLD THE OWNER HARMLESS FROM ANY LOSS OR
53 DAMAGE OR DESTRUCTION TO SAID COMPONENTS OF THE FACILITY
54 ACCESS MODIFICATIONS RESULTING FROM, ARISING OUT OF, OR
55 RELATED IN ANY WAY TO THE HOST, OR ANY DEFECT IN, OR
56 FAILURE OF SAME, REGARDLESS OF WHETHER SUCH DEFECT,
57 FAILURE, OR OTHER CONDITION OF THE HOST IS DUE TO THE SOLE
58 OR JOINT NEGLIGENCE OR FAULT OF THE OWNER.
59
60

61 **15.2 Disclaimer of Warranties**

62 THE PRODUCERS AND THE LSPS OWNERS ACKNOWLEDGE THAT,
63 NOTWITHSTANDING ANY PROVISION HEREIN TO THE CONTRARY,
64 THE HOST AND ANY INFRASTRUCTURE, FLOWLINE, PLATFORM,

1 FACILITY, EQUIPMENT OR OTHER PROPERTY, PERSONAL OR REAL,
 2 MOVABLE OR IMMOVABLE LOCATED THEREON OR CONNECTED
 3 THERETO ARE ACCEPTED BY THE PRODUCERS AND BY THE LSPS
 4 OWNERS AND ARE PROVIDED "AS IS", "WITH ALL FAULTS", WITHOUT
 5 ANY STATUTORY, EXPRESS, OR IMPLIED WARRANTIES OR
 6 REPRESENTATIONS INCLUDING, WITHOUT LIMITATION, ANY
 7 WARRANTY OF FITNESS, QUALITY, MERCHANTABILITY, OR
 8 CONDITION. THE PRODUCERS AND THE LSPS OWNERS
 9 ACKNOWLEDGE THAT THE OWNER HAS NOT MADE, AND THE
 10 OWNER HEREBY EXPRESSLY DISCLAIMS ANY SUCH
 11 REPRESENTATIONS OR WARRANTIES. EXCEPT AS OTHERWISE
 12 PROVIDED HEREIN, THE PRODUCERS AND THE LSPS OWNERS
 13 EXPRESSLY ASSUME THE RISK THAT ANY DEFECT IN OR FAILURE OF
 14 SUCH HOST, INFRASTRUCTURE, PLATFORM, FACILITY, EQUIPMENT,
 15 OR PROPERTY MAY RENDER SUCH ITEMS UNFIT FOR THE PURPOSES
 16 SET FORTH HEREIN.
 17

18 **15.3 Host Access & Boarding**

- 19 (a) Each Satellite Operator and the LSPS Operator will provide the Host
 20 Operator with at least fifteen (15) Days prior reasonable notice of, and
 21 obtain prior permission for, any intent to board the Host to conduct
 22 operations as contemplated herein. This notice must include a detailed
 23 description of the operation(s) to be conducted, a summary of anticipated
 24 work procedures, a summary of the tools and equipment that are
 25 anticipated to be used when performing the operation(s), the anticipated
 26 work schedule, as well as a brief description of the number of Satellite
 27 Operator employees or LPSP Operator employees, or their contractors' or
 28 subcontractors' employees or agents requesting boarding permission and
 29 the length of stay. Furthermore, this notice must conform to the Host
 30 Operator's standard requirements for a "work permit", as amended from
 31 time to time. Upon receipt of such prior reasonable notice, and if the Host
 32 Operator determines, in its sole discretion, that there will be no
 33 unreasonable conflict or interference with its own operations, the Host
 34 Operator will provide the Satellite Operator, at the Producers' sole cost,
 35 risk, liability and expense, or the LSPS Operator at the LSPS Owners' sole
 36 cost, risk, liability and expense, rights of ingress and egress to certain
 37 space on the Host for the purposes of installing the LSPS or Facility
 38 Access Modifications or the Satellite Well System as provided for herein.
 39 Such ingress and egress, and all activities conducted hereunder will be
 40 subject to the strict observance of all of the Host Operator's safety policies
 41 and procedures applicable to the Host including, but not limited to, any
 42 required safety training by Host Operator. Furthermore, such visit will be
 43 under the direction of and supervised by Host Operator personnel. Except
 44 with the express authorization of the Host Operator, neither the Satellite

1 Operator, nor the LSPS Operator nor their contractor or subcontractor
2 employees or agents, have the right to observe any drilling, workover or
3 other operations conducted by the Host Operator or any Third Parties on
4 the Host.

- 5
- 6 (b) In the event of an emergency or critical event involving the Satellite
7 System, the Satellite Operator or the LSPS Operator may contact the Host
8 Operator and request immediate ingress and egress to certain space on the
9 Host for purposes of conducting activities to respond to such emergency.
10 If the Host Operator determines, in its sole discretion, that there will be no
11 unreasonable conflict or interference with its own operations and that such
12 ingress and egress is necessary to respond to such emergency or critical
13 event, the Host Operator will provide such temporary rights of ingress and
14 egress at the sole cost, risk, liability and expense of the Satellite Operator
15 and/or the LSPS Operator.

16

17 **15.4 Representations and Warranties**

- 18
- 19 15.4.1 Each Party represents and warrants to the other Parties that on and as of
20 the Effective Date hereof:
- 21 (a) It is duly formed and validly existing and in good standing under the laws
22 of its state or jurisdiction of formation, with power and authority to carry
23 on the business in which it is engaged and to perform its respective
24 obligations under this Agreement;
- 25
- 26 (b) The execution and delivery of this Agreement has been duly authorized
27 and approved by all requisite corporate, limited liability company,
28 partnership or similar action;
- 29
- 30 (c) It has the entire requisite corporate, limited liability company, partnership
31 or similar power and authority to enter into this Agreement and perform its
32 obligations hereunder;
- 33
- 34 (d) The execution and delivery of this Agreement does not, and
35 consummation of the transactions contemplated herein will not, violate
36 any of the provisions of organizational documents, any agreement
37 pursuant to which it or its property is bound, to its knowledge, any
38 applicable Laws; and
- 39
- 40 (e) This Agreement is valid, binding and enforceable against it in accordance
41 with its terms, subject to bankruptcy, moratorium, insolvency and other
42 Laws generally affecting creditors' rights and general principles of equity
43 (whether applied in a proceeding in a court of law or equity).
- 44

1 **15.4.2** Owner represents and warrants to the Producers that:

- 2
- 3 (a) As of the Effective Date, there is no Third Party Production being
4 handled on Owner's share of the Host.
- 5
- 6 (b) Owner has the power and authority to bind the Host Operator to
7 perform the duties and obligations described for the Host Operator
8 under this Agreement only to the extent Owner has authority to do
9 so pursuant to the Na Kika Obligations.

10

11 **15.5 Warranty of Title**

12 **15.5.1** Each Producer warrants title to its share of Satellite Production to be
13 handled by the Host Operator and indemnifies the Owner pursuant to
14 Section 11.2.1 (*Satellite Production*) of this Agreement.

15

16 **15.5.2** Owner warrants title to its share of the Host Production to be handled on
17 the Host and indemnifies the Producers pursuant to Section 11.2.2 (*Non-*
18 *Satellite Production*) of this Agreement.

19

20 **15.6 Standard of Performance**

21 The Host Operator, the Owner, each Satellite Operator and the LSPS Operator
22 will conduct all operations in a proper and workmanlike manner in accordance
23 with methods and practices customarily used in sound oil and gas field practice
24 and with that degree of diligence reasonable and ordinarily exercised by an
25 experienced prudent operator engaged in a similar activity under the same or
26 similar circumstances.

27

28 **15.7 Producers' Employees, Consultants, and Contractors**

29 The Producers will endeavor to keep the Host and all Satellite Production and
30 Non-Satellite Production free from all liens and encumbrances which might arise
31 by reason of the operations conducted under this Agreement or any other
32 agreements affecting the Satellite Leases.

33

34 **15.8 Host Operator's Employees, Consultants, and Contractors**

35 The Owner will endeavor to keep the Host, and all Satellite Production and Non-
36 Satellite Production free from all liens and encumbrances which might arise by
37 reason of the operations conducted under this Agreement affecting the Host
38 Leases.

1 **15.9 Further Assurances**

2 Subject to the terms and conditions set forth in this Agreement, each of the Parties
3 agrees to use all reasonable efforts to take, or to cause to be taken, all actions, and
4 to do, or to cause to be done, all things reasonably necessary, proper or advisable
5 under applicable Laws to consummate and make effective the transactions
6 contemplated by this Agreement. In case, at any time after the execution of this
7 Agreement, any further action is deemed necessary or desirable to carry out its
8 purposes, the proper officers, directors, or other appropriate representatives of the
9 Parties will take or cause to be taken all such reasonably necessary action.

10

11 **15.10 Non-Compliance Citations**

12 The respective Satellite Operator will be responsible for any non-compliance
13 citations issued by governmental agencies with respect to the Satellite Well
14 System or the Satellite Leases, and such citations will be promptly reported to the
15 Host Operator. The LSPS Operator will be responsible for any non-compliance
16 citations issued by governmental agencies with respect to the LSPS, and such
17 citations will be promptly reported to the Host Operator. The Owner will be
18 responsible for any non-compliance citations issued by governmental agencies
19 with respect to the Host Leases or the Host and such citations will be promptly
20 reported to the Satellite Operator and the LSPS Operator.

21

22 **15.11 Dispute Resolution**

23 Any claim, controversy or dispute arising out of, relating to or in connection with
24 the interpretation of this Agreement or any activity or operation conducted or to
25 be conducted hereunder, shall be resolved in accordance with the mediation and
26 binding arbitration procedures set forth in Exhibit "I" (*Dispute Resolution
Procedures*) to this Agreement. However, claims for Indemnification between or
27 among the Parties shall be excluded from this provision when they arise out of or
28 are related to a lawsuit filed by a Third Party. For economy of legal resources, the
29 Parties' claims for Indemnification shall be resolved in conjunction with such
30 judicial proceeding.

31

32 **15.12 Waivers**

33 Neither action taken (including, without limitation, any investigation by or on
34 behalf of a Party) nor inaction pursuant to this Agreement will be deemed to
35 constitute a waiver of compliance with any representation, warranty, covenant or
36 agreement contained herein by the Party not committing such action or inaction.
37 A waiver by any Party of a particular right, including, without limitation, breach
38 of any provision of this Agreement, will not operate or be construed as a
39 subsequent waiver of that same right or a waiver of any other right.

40

41

1 **15.13 Remedies**

2 The rights, obligations, and remedies created by this Agreement are cumulative
3 and in addition to any other rights, obligations, or remedies otherwise available at
4 Law or in equity. Nothing herein will be considered an election of remedies.

5

6 **15.14 No Third Party Beneficiaries**

7 Except to the extent a Third Party is expressly given rights herein, any agreement
8 herein contained, expressed or implied, will be only for the benefit of the Parties
9 and their respective legal representatives, successors, and assigns, and such
10 agreements or assumptions will not inure to the benefit of any other Person
11 whomsoever, it being the intention of the Parties that no Person will be deemed a
12 Third Party beneficiary to this Agreement except to the extent a Third Party is
13 expressly given rights herein.

14

15 **15.15 Confidentiality Provisions**

16 **15.15.1** The Parties agree to keep in secrecy and confidence until the termination
17 of this Agreement the Confidential Information, save and except:

- 18
- 19 (a) to their respective Affiliates, subcontractors and consultants and
20 their respective employees, servants or agents actively engaged in
21 the operations hereunder to the extent that they need to know for
22 purposes related to this Agreement;
- 23
- 24 (b) if and to the extent it is required or requested to do so by any law
25 or by any court or regulatory agency or authority in any
26 jurisdiction, provided that the disclosing Party will, if permitted to
27 do so, notify the other Parties in writing as soon as possible upon
28 becoming aware of any such requirement so that the non-
29 disclosing Parties may seek a protective order or other remedy. A
30 disclosing Party shall furnish only such Confidential Information
31 as is legally required an/or compelled and will use its reasonable
32 efforts to obtain confidential treatment for any Confidential
33 Information disclosed; or
- 34
- 35 (c) to any bona fide financially responsible prospective assignee of all
36 or any portion of a Party's interest in the Host and/or Host Leases
37 or Satellite System and/or Satellite Leases (whichever the case
38 may be) provided that such prospective assignee has executed a
39 confidentiality agreement requiring it to maintain the secrecy and
40 confidentiality of the Confidential Information.
- 41

15.15.2 Notwithstanding the foregoing, the provision of confidentiality, use, and disclosure above will not apply to information:

- (a) which was in the public knowledge or literature at the time of disclosure by any Party hereunder;
 - (b) which was already in the possession of any Party at the time of disclosure hereunder without obligation of confidentiality;
 - (c) which was or is subsequently developed by any Party without use of the Confidential Information;
 - (d) which subsequent to disclosure hereunder and without fault of the disclosing Party becomes part of the public knowledge; or
 - (e) which is disclosed to any Party (without the obligation of confidentiality) by a Third Party having, to the best knowledge of the receiving Party, the legal right to do so.

15.15.3 Any Party who assigns its interest in this Agreement remains bound by the confidentiality obligations of this Agreement as to any Confidential Information obtained throughout the term of this Agreement.

15.15.4 All Confidential Information made available to the Parties hereunder will be done so on an "as is" basis without any warranties, either express or implied, as to the accuracy, validity, or utility of such information. In no event will any Party be liable for any damages of whatever nature arising out of, or resulting from, making the Confidential Information available under this Agreement.

15.16 Commitment of Oil and Gas Reserves

Subject to Article X (*Term, Default, and Termination*) of this Agreement, for the life of the Satellite Leases, the Producers commit to: (i) deliver all Satellite Production to the Host for production handling, except that the Producers reserve unto themselves, their successors and assigns, the right: (a) to use quantities of Satellite Production sufficient to satisfy Satellite Leases' development and operations including, but not limited to, additional recovery operations and the use of gas for fuel, flaring, pigging, drilling, deepening, reworking, or other such lease operations, (b) to use quantities of Satellite Production sufficient to satisfy any royalty interest in Satellite Production that the royalty owner may elect to take in kind, and (c) for the Producers of the MC 519 Unit Leases to elect to process at a facility other than the Host any oil and/or gas production from such leases produced from above the depth of fifteen thousand (15,000) feet total vertical depth.

1

2 **15.17 Compliance with Laws and Regulations**

3 This Agreement and all of the terms and conditions contained herein, and the
 4 respective obligations of and the operations conducted by the Parties, are
 5 expressly subject to and will remain subject to and comply with all valid and
 6 applicable laws, orders, rules, and regulations of any federal, state, or local
 7 governmental authority having jurisdiction over the Host Leases and the Satellite
 8 Leases, as well as the Host and the LSPS. Each of the Parties hereto agree that
 9 they will at all times maintain their respective facilities and leases and conduct
 10 their operations thereon in accordance with all valid and applicable laws.

11

12 No Party will suffer a forfeiture or be liable in damages to the other Parties for
 13 any delays or damages or any failure to act, due, occasioned or caused by reason
 14 of laws respecting the activities or operations covered hereby and such delays or
 15 damages, will not be deemed to be a breach of or failure to perform under this
 16 Agreement.

17

18 **15.17.1 Applicable Law:** TO THE MAXIMUM EXTENT PERMISSIBLE,
 19 THE GENERAL MARITIME LAWS OF THE UNITED STATES
 20 SHALL GOVERN THE VALIDITY, CONSTRUCTION,
 21 INTERPRETATION, AND EFFECT OF THIS AGREEMENT,
 22 EXCLUDING ANY CHOICE OF LAW RULES WHICH WOULD
 23 OTHERWISE REQUIRE THE APPLICATION OF LAWS OF ANY
 24 OTHER JURISDICTION. IN THE EVENT MARITIME LAW IS
 25 HELD TO BE INAPPLICABLE BY A COURT OF COMPETENT
 26 JURISDICTION, THE LAWS OF THE ADJACENT STATE OF THE
 27 SATELLITE LEASES HEREUNDER SHALL APPLY UNLESS (i)
 28 OTHERWISE PROVIDED IN THIS AGREEMENT OR (ii)
 29 APPLICATION OF SUCH LAW TO A PARTICULAR PROVISION
 30 WOULD PREVENT ENFORCEMENT OF SUCH PROVISION, IN
 31 WHICH CASE THE LAW APPLICABLE TO SUCH PROVISION
 32 SHALL BE ANY POTENTIALLY APPLICABLE LAW THAT
 33 WOULD ALLOW ENFORCEMENT OF SAID PROVISION AS
 34 WRITTEN.

35

36 **15.17.2 Severance of Invalid Provisions:** The Parties intend that every
 37 provision of this Agreement, the Exhibits attached hereto, and the
 38 documents incorporated herein by reference be severable. If any term or
 39 other provision of this Agreement is found to be invalid, illegal or
 40 incapable of being enforced by any rule of law or public policy, all other
 41 conditions and provisions of this Agreement will remain in full force and
 42 effect. The illegality, invalidity or unenforceability of any provisions
 43 hereof will not affect the legality, validity or enforceability of the
 44 remainder of this Agreement. In the case of conflict between the

provisions of this Agreement and the provisions of any applicable laws or regulations, the provisions of the laws or regulations will govern over the provisions of this Agreement. If, for any reason and for so long as, any clause or provision of this Agreement is held by a court of competent jurisdiction to be illegal, invalid, unenforceable or unconscionable under any present or future law (or interpretation thereof), the remainder of this Agreement will not be affected by such illegality or invalidity. Any such invalid provision will be deemed severed from this Agreement as if this Agreement had been executed with the invalid provision eliminated. Any term or provisions of this Agreement that is invalid or unenforceable in any jurisdiction will be ineffective only as to such jurisdiction and then only to the extent of such invalidity or unenforceability, without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability of any terms and provisions of this Agreement in any other jurisdiction. If any provision of this Agreement is so broad as to be unenforceable, each provision will be interpreted to be only so broad as is enforceable. A bankruptcy or similar trustee must accept or, to the extent permitted by Law, reject this Agreement in its entirety.

15.17.3 **Fair and Equal Employment:** Each of the Parties is an Equal Opportunity Employer. To the extent that this Agreement may be subject to Executive Order 11246, as amended, the equal opportunity provisions (41 CFR 60-1) are incorporated herein by reference. If the Non-Discrimination in the OCS provisions of 30 CFR 270 apply to this Agreement and the operations conducted under it, the provisions of 30 CFR 270 are also incorporated by reference. To the extent required by applicable Laws and regulations, this Agreement also includes and is subject to the affirmative action clauses concerning disabled veterans and veterans of the Vietnam era (41 CFR 60-250) and the affirmative action clauses concerning employment of the handicapped (41 CFR 60-741), which clauses are incorporated herein by reference. In performing work under this Agreement, the Parties agree to comply with (and the Host Operator and the Satellite Operator, as applicable, will require each independent contractor to comply with) the governmental requirements set forth in Exhibit "J" (*Certification of Non-Segregation of Facilities*) to this Agreement, pertaining to non-segregated facilities. This Agreement and the Parties are also subject to any other applicable rules and regulation relating to non-discrimination that may be promulgated from time to time by any governmental body having jurisdiction over the subject matter of this Agreement. The Owner and the Producers do not condone in any way the use of illegal drugs or controlled substances. The Host Operator and the Satellite Operator, as applicable, will maintain in effect a drug free workplace policy.

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2 **15.18 Construction and Interpretation of this Agreement**3 The construction and interpretation of the terms of this Agreement will be
4 governed by the following conventions:

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15.18.1 Heading for Convenience: All references in this Agreement to articles, sections, subsections and Exhibits hereof will refer to the corresponding article, section, subsection or Exhibit of this Agreement, unless specific reference is made to such articles, sections, subsection or exhibit of another document or instrument. All titles or headings to Articles, subarticles or other divisions of this Agreement except Article II (*Definitions and Exhibits*) or the Exhibits hereto are only for the convenience of the Parties and will not be construed to have any effect or meaning with respect to the other content of such Articles, subarticles or other divisions, such other content being controlling as to the agreement between the Parties.

Except as otherwise provided in this Agreement, each reference to an article of this Agreement will include the entire referenced article including its sections and subsections. Except as otherwise provided in this Agreement, each reference to a section in this Agreement will include all of the section including its subsections. Except as otherwise provided in this Agreement, each reference to an Exhibit in this Agreement will include all of the Exhibit including articles, sections and subsections.

15.18.2 Gender: All personal pronouns used in this Agreement, whether used in the masculine, feminine, or neuter gender, will include all other genders.

15.18.3 Number: Whenever the context requires, reference herein made to the singular will be understood to include the plural, and the plural will likewise be understood to include the singular.

15.18.4 Independent Representation: The Owner, the LSPS Owners and each individual Producers declare that they have contributed to the drafting of this Agreement or have had it reviewed by their counsel before signing it. Each agrees that it has been purposefully drawn and correctly reflects their understanding of the transaction that it contemplates. Accordingly, this Agreement, though drawn by one Party, will be considered for all purposes as prepared through the joint efforts of the Parties, and will not be construed unfairly and unreasonably and not more strictly against one Party or another Party as a result of the preparation. Each Party has had the benefit of independent representation with respect to the subject matter of this Agreement.

1

2 15.19 Integrated and Entire Agreement

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This Agreement, and the Exhibits attached thereto, constitute the entire and final agreement between the Parties pertaining to the subject matter hereof and as such supersedes all prior agreements, understandings, negotiations, and discussion, whether oral or written. There are no representations, warranties, promises, or other agreements, oral or written, between the Parties in connection with the subject matter hereof, other than those specifically set forth in this Agreement or in documents delivered pursuant to this Agreement.

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Upon execution of this Agreement by all of the Parties, this Agreement will supersede and replace all previous negotiations, understandings, promises, or discussions, whether written or oral, relative to the subject matter of this Agreement. Each of the Parties acknowledges that no Party has made any promise, representation or warranty that is not expressly stated in this Agreement.

15.20 Amendment and Modification

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Except as otherwise provided in this Agreement, all amendments, supplements, and modification to this Agreement will be in writing and executed by all of the Parties. This Agreement will not be modified or changed except by a written amendment signed by all of the Parties.

15.21 Survivability

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The provisions, including any obligations associated therewith, relating to the payment of invoices, audit, abandonment, indemnity, regulatory compliance, representation, warranty, and confidentiality, will survive the cancellation or termination of this Agreement without regard to any action taken pursuant to this Agreement, including without limitation, the execution of any documents affecting an interest in real property or any investigation made by the Party asserting the breach thereof. Notwithstanding the foregoing, the indemnification provisions contained in Article XI (*Liabilities and Indemnification*) to this Agreement will survive until the later of (i) judicial declaration of the expiration of the applicable statute of limitations or (ii) all claims arising hereunder have been concluded. Accordingly, cancellation or termination of this Agreement will not relieve any Party from and costs, expenses, or liability accrued or incurred prior to the cancellation or termination of this Agreement, and the provisions of this Agreement will continue in force for such additional time as necessary until all claims or lawsuits have been settled or otherwise disposed of and a final accounting and settlement has been made under this Agreement.

1 **15.22 Existing Agreements**

2 Unless specifically excepted or reserved, and to the extent that they are binding on
3 the Owner, the Producers, the LSPS Owners and the Owner agree that this
4 Agreement will be made subject to (and Producers and the LSPS Owner accepts
5 that this Agreement is subject to) any and all valid and existing reservations,
6 exceptions, limitations, contracts, agreements, licenses, leases, grants and all other
7 agreements or instruments affecting the Host (i) which are of record with the
8 BOEMRE or official county/parish records, (ii) of which Producers have actual or
9 constructive notice or knowledge, including, without limitation, any matter
10 included or referenced in materials made available to Producers by the Owners for
11 their review prior to the execution of this Agreement, or (iii) which are part of the
12 Na Kika Obligations.

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ARTICLE XVI - EXECUTION

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17 **16.1 Effect**

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Upon its execution by all of the Parties, this Agreement will become effective as of the Effective Date and will be binding upon and inure to the benefit of the Parties and their respective legal representatives, successors, and assigns.

16.2 Counterparts

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[Remainder of this page intentionally left blank]

1 **IN WITNESS WHEREOF**, this Agreement is executed by each Party through its
2 duly authorized agent or representative on the date shown below the respective signature
3 of each, but is effective as of the Effective Date.

4
5 **OWNER**

6
7 BP EXPLORATION & PRODUCTION, INC. (Owner) *John*

8
9 By: Peter A Zwalt *John*
10
11 Name: PETER A ZWALT
12
13 Title: CFO
14
15 Date: 21 SEP 010

16
17
18
19 **ISABELA PRODUCERS**

20
21 BP EXPLORATION & PRODUCTION, INC. (Isabela Producer and Operator) *John*

22
23 By: Peter A Zwalt *John*
24
25 Name: PETER A ZWALT
26
27 Title: CFO
28
29 Date: 21 SEP 010

30
31
32 NOBLE ENERGY, INC. (Isabela Producer) *John*

33
34 By: John T. Lewis *John*
35
36 Name: John T. Lewis *John*
37
38 Title: Vice President
39
40 Date: 9/21/10

1 MC 519 UNIT PRODUCERS
2

3
4 NOBLE ENERGY, INC. (MC 519 Unit Producer and Operator)

5 By: John T. Lewis
6
7 Name: John T. Lewis *DTL DTM JTL*
8
9 Title: Vice President
10
11 Date: 9/21/10
12

13
14
15 BP EXPLORATION & PRODUCTION, INC. (MC 519 Unit Producer) *ABW JTF*

16 By: Dale G. Grant
17
18 Name: DALE A. GRANT
19
20 Title: CFO
21
22 Date: 21 SEP 010
23

24
25
26 RED WILLOW OFFSHORE, LLC (MC 519 Unit Producer)

27
28 By: _____
29
30 Name: _____
31
32 Title: _____
33
34 Date: _____ *PWT*
35

36
37 HOUSTON ENERGY DEEPWATER VENTURES I, LLC (MC 519 Unit Producer)

38
39 By: _____
40
41 Name: _____
42
43 Title: _____
44
45 Date: _____ *PWT*

1 **LSPS OWNERS**

2 **BP EXPLORATION & PRODUCTION, INC. (LSPS Owner and Operator)**

3 By: Peter A. Zwart 
4
5 Name: PETER A. ZWART
6
7 Title: CFO
8
9 Date: 21 SEP 010

10 **NOBLE ENERGY, INC. (LSPS Owner)**

11 By: John T. Lewis 
12
13 Name: John T. Lewis
14
15 Title: Vice President
16
17 Date: 9/21/10

18 **RED WILLOW OFFSHORE, LLC (LSPS Owner)**

19 By: _____
20
21 Name: _____
22
23 Title: _____
24
25 Date: _____

26 **HOUSTON ENERGY DEEPWATER VENTURES I, LLC (LSPS Owner)**

27 By: _____
28
29 Name: _____
30
31 Title: _____
32
33 Date: _____

1 MC 519 UNIT PRODUCERS
2
3

4 **NOBLE ENERGY, INC. (MC 519 Unit Producer and Operator)**
5

6 By: _____
7
8 Name: _____
9
10 Title: _____
11
12 Date: _____
13
14

15 **BP EXPLORATION & PRODUCTION, INC. (MC 519 Unit Producer)**
16

17 By: _____
18
19 Name: _____
20
21 Title: _____
22
23 Date: _____
24
25

26 **RED WILLOW OFFSHORE, LLC (MC 519 Unit Producer)**
27

28 By: Robert J. Voorhees 9/21/2012
29
30 Name: Robert J. Voorhees
31
32 Title: President and COO
33
34 Date: September 21, 2010
35
36

37 **HOUSTON ENERGY DEEPWATER VENTURES I, LLC (MC 519 Unit Producer)**
38

39 By: _____
40
41 Name: _____
42
43 Title: _____
44
45 Date: _____

1 LSPS OWNERS
2

3 BP EXPLORATION & PRODUCTION, INC. (LSPS Owner and Operator)
4

5 By: _____
6

7 Name: _____
8

9 Title: _____
10

11 Date: _____
12

13
14 NOBLE ENERGY, INC. (LSPS Owner)
15

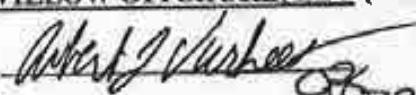
16 By: _____
17

18 Name: _____
19

20 Title: _____
21

22 Date: _____
23

24
25 RED WILLOW OFFSHORE, LLC (LSPS Owner)
26

27 By: 
28

29 Name: Robert J. Voorhees 9/2/12
30

31 Title: President and COO
32

33 Date: September 21, 2010
34

35

36 HOUSTON ENERGY DEEPWATER VENTURES I, LLC (LSPS Owner)
37

38 By: _____
39

40 Name: _____
41

42 Title: _____
43

44 Date: _____
45

1 MC 519 UNIT PRODUCERS
2
3

4 NOBLE ENERGY, INC. (MC 519 Unit Producer and Operator)
5

6 By: _____
7

8 Name: _____
9

10 Title: _____
11

12 Date: _____
13

14
15 BP EXPLORATION & PRODUCTION, INC. (MC 519 Unit Producer)
16

17 By: _____
18

19 Name: _____
20

21 Title: _____
22

23 Date: _____
24

25
26 RED WILLOW OFFSHORE, LLC (MC 519 Unit Producer)
27

28 By: _____
29

30 Name: _____
31

32 Title: _____
33

34 Date: _____
35

36
37 HOUSTON ENERGY DEEPWATER VENTURES I, LLC (MC 519 Unit Producer)
38

39 By: P. David Amend

40 Name: P. David Amend

41 Title: Vice President LAND

42 Date: September 21, 2010 ADS
43

1 **LSPS OWNERS**

2 **BP EXPLORATION & PRODUCTION, INC. (LSPS Owner and Operator)**

3 By: _____

4 Name: _____

5 Title: _____

6 Date: _____

7 **NOBLE ENERGY, INC. (LSPS Owner)**

8 By: _____

9 Name: _____

10 Title: _____

11 Date: _____

12 **RED WILLOW OFFSHORE, LLC (LSPS Owner)**

13 By: _____

14 Name: _____

15 Title: _____

16 Date: _____

17 **HOUSTON ENERGY DEEPWATER VENTURES I, LLC (LSPS Owner)**

18 By: P. David Amend

19 Name: P. David Amend

20 Title: Vice President LAND

21 Date: September 21, 2010

22 AMY

1 **EXHIBIT "A-1"**
2 Delivery Point(s)

3
4 Attached to and made part of that certain Production Handling and Operating
5 Services Agreement dated effective September 21, 2010, by and between OWNER, LSPS
6 OWNERS and PRODUCERS

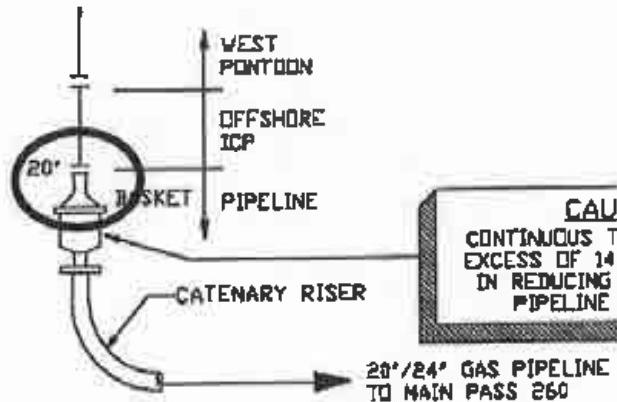
7
8 (a) Gas export

9
10 Gas departs Host as export production at riser basket flange

11 P&ID:

12 565A-00-661AQ

13
14
15



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[Remainder of this page intentionally left blank]

1 **EXHIBIT "A-1"**
2 Delivery Point(s)

3 Attached to and made part of that certain Production Handling and Operating
4 Services Agreement dated effective September 21, 2010, by and between OWNER, LSPS
5 OWNERS and PRODUCERS

6 **(b) Oil export**

7 **Oil departs Host as export production at riser basket flange**

8 P&ID:

9 **565A-00-661X**

10

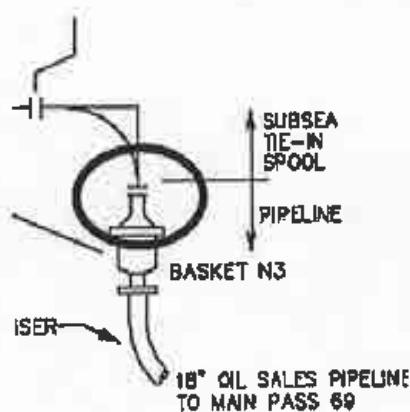
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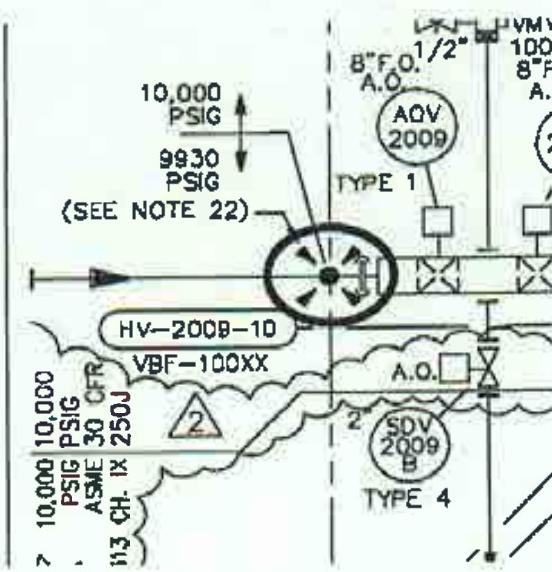
1
2 EXHIBIT "A-2"
3 Entry Point(s)
4

5 Attached to and made part of that certain Production Handling and Operating
6 Services Agreement dated effective September 21, 2010, by and between OWNER, LSPS
7 OWNERS and PRODUCERS

8
9 Satellite Production enters Host at boarding valves
10
11
12

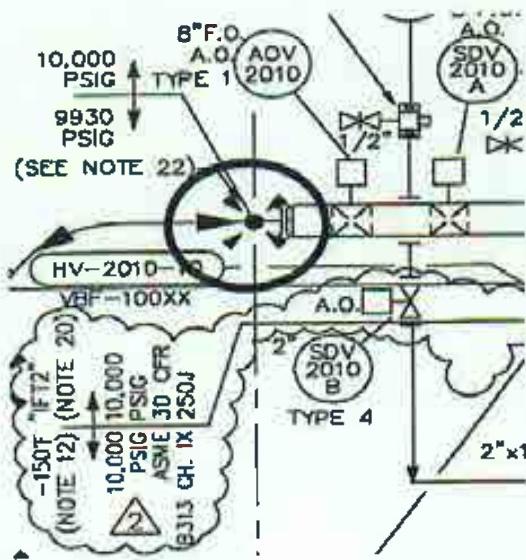
13 P&ID:
14 565A-00-661K3
15

16 Isabela boarding valve
17
18



P&ID:
565A-00-661K3

Santiago/Santa Cruz boarding valve



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EXHIBIT "B"

Attached to and made part of that certain Production Handling and Operating Services Agreement dated effective September 21, 2010, by and between OWNER, LSPS OWNERS and PRODUCERS

HOST CAPACITY

The "**Host Capacity**" shall be the Oil, Gas, and water handling capacity for the Host as shown below.

Oil	130 MBO/d
Gas	500 MMSCF/d
Water	50 MBW/d

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EXHIBIT "C"

Attached to and made part of that certain Deepwater Production Handling and Operating Services Agreement dated effective September 21, 2010, by and between OWNER, LSPS OWNERS and PRODUCERS

Accounting Procedures

I. GENERAL PROVISIONS

1. Definitions

All terms used in this Accounting Procedure, if not otherwise defined below, shall have the same meaning as in the Agreement to which this Accounting Procedure is attached.

"Affiliate" as defined in the Agreement and includes Affiliates as specified herein. Affiliates of the Operator and Non-Operator shall include, but not be limited to, those entities or groups listed on Appendix A to this Exhibit C or their successors.

"Controllable Material" means Material which at the time of acquisition or disposition is so classified in the Material Classification Manual as most recently recommended by the Council of Petroleum Accountants Societies.

"First Level Supervision" means those employees whose primary function in Joint Operations is the direct oversight of the Operator's employees and/or contract labor directly employed On-site in a field operating capacity. First Level Supervision functions may include, but are not limited to:

- Responsibility for field employees and contract labor engaged in activities that can include field operations, maintenance, construction, well remedial work, equipment movement and drilling
 - Responsibility for day-to-day direct oversight of rig operations
 - Responsibility for day-to-day direct oversight of construction operations
 - Coordination of job priorities and approval of work procedures
 - Responsibility for optimal resource utilization (equipment, Materials, personnel)
 - Responsibility for meeting production and field operating expense targets
 - Representation of the Parties in local matters involving community, vendors, regulatory agents and landowners, as an incidental part of the supervisor's operating responsibilities
 - Responsibility for all emergency responses with field staff
 - Responsibility for implementing safety and environmental practices

- 1 • Responsibility for field adherence to company policy
- 2 • Responsibility for employment decisions and performance appraisals for
- 3 field personnel
- 4 • Oversight of sub-groups for field functions such as electrical, safety,
- 5 environmental, telecommunications, which may have group or team leaders.

6
7 "Joint Account" means the account showing the charges paid and credits
8 received in the conduct of the Joint Operations and which are to be shared by the Parties.
9

10 "Joint Operations" means all operations necessary or proper for the
11 development, operation, protection, maintenance, repair, abandonment and restoration of
12 the Joint Property.
13

14 "Joint Property" means the real and personal property subject to the Agreement to
15 which this Accounting Procedure is attached.
16

17 "Material" means personal property, equipment, supplies, or consumables acquired
18 or held for use by the Joint Property.
19

20 "Non-Operators" means one (1) or more of the following (exclusive of the Host
21 Operator): (i) Satellite Operator(s), on behalf of the Producers, (ii) the LSPS Operator, on
22 behalf of the LSPS Owners, and/or (iii) the Producers, as applicable and as stipulated in
23 the Agreement..
24

25 "Offshore Facilities" means platforms and support systems such as oil and gas
26 handling facilities, living quarters, offices, shops, cranes, electrical supply equipment and
27 systems, fuel and water storage and piping, heliport, marine docking installations,
28 communication facilities, navigation aids, and other similar facilities necessary in the
29 conduct of offshore operations.
30

31 "Off-site" means any location that is not considered On-site as defined in this
32 Accounting Procedure.
33

34 "On-site" means on the Joint Property when in direct conduct of Joint Operations.
35 The term "On-site" shall also include, but not be limited to a platform, the Production
36 System, that portion of Offshore Facilities, Shore Base Facilities, fabrication yards,
37 Material storage facilities, staging areas from which Joint Operations are conducted, and
38 other facilities, such as Remote Technology Centers, regardless of its location and whether
39 the facility or equipment is owned by the Joint Account.
40

41 "Personal Expenses" means travel, transportation, meals, accommodations,
42 temporary living expenses, relocation costs, and other reimbursable expenses of Host
43 Operator's employees, employees of Affiliates, or of third parties performing chargeable
44 functions.
45

1 **"Remote Technology Center (RTC)"** means a facility, regardless of whether
2 located On-site or Off-site, having dedicated technical and /or operations staffing, that
3 directly monitors and/or controls Joint Operations on a real-time basis.

4
5 **"Shore Base Facilities"** means onshore support facilities that during
6 development, maintenance and producing operations provide such services to the Joint
7 Property as receiving and transshipment point for supplies, materials and equipment;
8 debarkation point for production personnel and services; communication, scheduling and
9 dispatching center; other associated functions benefiting the Joint Property.

10
11 **"Technical Employees"** means those employees having special and specific
12 engineering, geological or other professional skills, and whose primary function in Joint
13 Operations is the handling of specific operating conditions and problems for the benefit
14 of the Joint Property. Technical Employees include employees of the Parties, Affiliates
15 and third parties providing services in support of Joint Operations.

16
17 **2. Statements and Billings**

18
19 A. The Host Operator and Owner shall bill the appropriate Non-Operators on
20 or before the last day of the month for their proportionate share of the
21 Joint Account for the preceding month. Such bills shall be accompanied
22 by statements which identify the authority for expenditure, lease or
23 facility, and all charges and credits summarized by appropriate categories
24 of investment and expense. Controllable Material may be summarized by
25 major Material classification. Audit exceptions shall be separately and
26 clearly identified.

27
28 **3. Advances and Payments by Non-Operators**

29
30 A. If gross expenditures for the Joint Account (except for expenditures for
31 Facility Access Modifications) are expected to exceed \$500,000.00 in the
32 next succeeding month's operations, the Operator may require the Non-
33 Operators to advance their share of the estimated cash outlay for the
34 month's operations. Non-Operators are required to advance their
35 proportionate share of the estimated costs of any Facility Access
36 Modifications per Article 3.3.2 of the Agreement.

37
38 Unless otherwise provided in the Agreement, any billing for such advance
39 shall be payable within fifteen (15) days after receipt of the advance
40 request or by the first day of the month for which the advance is required,
41 whichever is later. The Host Operator shall adjust each monthly billing to
42 reflect advances received from the Non-Operators for such month.

43
44 B. Each Non-Operator shall pay its proportionate share of all bills within
45 fifteen (15) days of receipt date. If the payment due date for such bill falls

on a weekend or on a statutory holiday, the payment will be due on the preceding business day. If payment is not made within such time, the unpaid balance shall bear interest compounded monthly at the prime rate published by the Wall Street Journal on the first day of each month the payment is delinquent, plus three percent (3%), per annum, or the maximum contract rate permitted by the applicable usury Laws governing the Joint Property, whichever is the lesser. In addition, the delinquent party shall bear attorney's fees, court costs, and other costs in connection with the collection of unpaid amounts. If the Wall Street Journal ceases to be published or discontinues publishing a prime rate, the unpaid balance shall bear interest compounded monthly at the prime rate published by the Federal Reserve plus three percent (3%), per annum. Interest shall begin accruing on the first day of the month in which the payment was due. Payment shall not be reduced or delayed as a result of inquiries or anticipated credits unless the Operator has agreed.

4. Adjustments

- A. Payment of any such bills shall not prejudice the right of any Party to protest or question the correctness thereof, provided, however, all bills and statements (including payout status statements) related to expenditures rendered during any calendar year shall conclusively be presumed to be true and correct after twenty-four (24) months following the end of any such calendar year, unless within the said period a Party takes specific detailed written exception thereto and makes claim for adjustment.
- B. All adjustments initiated by the Parties except those described in (1) through (5) below are limited to the twenty-four (24) month period following the end of the calendar year in which the original charge appeared or should have appeared on the Joint Account statement or payout status statement. Adjustments made beyond the twenty-four month period are limited to the following
 - (1) a physical inventory of Controllable Material as provided for in Section V.
 - (2) an offsetting entry (whether in whole or in part) which is the direct result of a specific joint interest audit exception granted by the Party relating to another property.
 - (3) a government/regulatory audit.
 - (4) changes in working interest ownership
 - (5) volume or value reallocation pursuant to the terms or procedures of the Agreement which may impact the volume or value used to calculate billings and/or payments for the Joint Account.

1 5. **Expenditure Audits**

- 2
- 3 A. A Non-Operator, upon notice in writing to Host Operator, Owner, and
4 other Non-Operators, shall have the right to audit the Owner's and/or the
5 Host Operator's accounts and records relating to the Joint Account for any
6 calendar year within the twenty-four (24) month period following the end
7 of such calendar year, provided, however, conducting an audit shall not
8 extend the time for the taking of written exception to and the adjustment
9 of accounts as provided for in Paragraph 4 of this Section I. Where there
10 are two or more Non-Operators, the Non-Operators shall make every
11 reasonable effort to conduct a joint audit in a manner which will result in a
12 minimum of inconvenience to the Owner and/or Host Operator. The
13 Owner and Host Operator shall bear no portion of the Non-Operator's
14 audit costs incurred under this paragraph unless agreed to by the Owner
15 and/or Host Operator. The audits shall not be conducted more than once
16 each year without prior approval of the Owner and/or Host Operator,
17 whichever is applicable, except upon the resignation or removal of the
18 Host Operator, and shall be made at the expense of those Non-Operators
19 approving such audit. The lead audit company's audit report shall be
20 issued within one hundred and eighty (180) days after completion of the
21 audit field work provided, however, the one hundred and eighty (180) day
22 time period shall not extend the twenty-four (24) month requirement for
23 taking specific detailed written exception as required by Paragraph 4.A.
24 above. All claims shall be supported with sufficient documentation.
25 Failure to issue the report within the prescribed time or to take specific
26 written exception within the twenty-four (24) month period will preclude
27 the Non-Operator from taking exception to any charge billed within the
28 time period audited.
- 29
- 30 B. A timely filed audit report or any timely submitted response thereto shall
31 suspend the running of any applicable statute of limitations regarding
32 claims made in the audit report. While any audit claim is being resolved,
33 the applicable statute of limitations will be suspended. Failure, however,
34 to comply with the deadlines provided herein shall cause the statue to
35 commence running again.
- 36
- 37 The Owner and/or Host Operator, whichever is applicable, shall allow or
38 deny all exceptions in writing to an audit report within one hundred and
39 eighty (180) days after receipt of such report. Denied exceptions should
40 be accompanied by a substantive response.
- 41
- 42 C. The lead audit company shall reply to the Owner's and/or Host Operator's
43 response to an audit report within ninety (90) days of receipt, and the
44 Owner and/or Host Operator shall reply to the lead audit company's
45 follow-up response within ninety (90) days of receipt.

1 D. The lead audit company or Owner and/or Host Operator may call an audit
2 resolution conference for the purpose of resolving audit issues/exceptions
3 that are outstanding at least eighteen (18) months after the date of the audit
4 report. The meeting will require one month's written notice to the Owner
5 and/or Host Operator and all audit participants, be held at the Owner's
6 and/or Host Operator's office or other mutually agreed upon location, and
7 require the attendance of representatives of the Owner and/or Host
8 Operator and each audit participant responsible for the area(s) in which the
9 exceptions are based and who have authority to resolve issues on behalf of
10 their company. The lead audit company will coordinate the
11 response/position of the Non-Operators and continue to maintain its
12 traditional role throughout the audit resolution process.
13

14
15 Attendees will make good faith efforts to resolve outstanding issues, and
16 each Party will be required to present substantive information supporting
17 its position. An audit resolution conference may be held as often as
18 agreed to by the Parties. Issues unresolved at one conference can be
19 discussed at subsequent conferences until each such issue is resolved.

E. Non-Operator charges shall be subject to the above audit requirements.

22 F. The preceding provisions shall not preclude the Parties from conducting
23 revenue audits.
24

26 6. Approval by Parties

Where an approval or other agreement of the Parties is expressly required under other sections of this Accounting Procedure and if the Agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, Host Operator shall notify all Parties of the proposal, and the agreement or approval of a majority in interest of the Parties shall be controlling.

II. DIRECT CHARGES

The Host Operator shall directly charge the Joint Account with the following items in accordance with the Agreement:

40 1. Rentals and Royalties

Lease rentals, royalties, rights of use and easements paid by the Operator, on behalf of Joint Operations.

1 2. Labor

- 2 A. Salaries and wages, including incentive compensation programs as set
3 forth in COPAS MFI-37 (Chargeability of Incentive Compensation
4 Programs), for:
- 5 (1) Operator's field employees directly employed in the conduct of
6 Joint Operations.
- 7 (2) Operator's employees directly employed on Shore Base Facilities,
8 Offshore Facilities, Remote Technology Centers, warehouses or
9 other facilities serving the Joint Property if such costs are not
10 included in rates charged under Section II.6 (Equipment and
11 Facilities Furnished by Operator).
- 12 (3) Operator's employees providing First Level Supervision.
- 13 (4) Salaries and wages of Technical Employees providing On-site and
14 Off-site technical services for Joint Operations.
- 15 B. Cost of holiday, vacation, sickness and disability benefits and other
16 customary allowances paid to employees whose salaries and wages are
17 chargeable to the Joint Account under Paragraph 2 of this Section II,
18 excluding severance payments or other termination allowances. Such
19 costs under this Paragraph 2.B. may be charged on a "when and as paid
20 basis" or by "percentage assessment" on the amount of salaries and wages
21 chargeable to the Joint Account under Paragraph 2. of this Section II. If
22 percentage assessment is used, the rate shall be based on the Host
23 Operator's cost experience.
- 24 C. Expenditures or contributions made pursuant to assessments imposed by
25 governmental authority that are applicable to costs chargeable to the Joint
26 Account under Section II.2.
- 27 D. Personal Expenses of personnel whose salaries and wages are chargeable
28 to the Joint Account under Paragraph 2 of this Section 2.
- 29 E. Relocation costs incurred in transferring to the Joint Property personnel
30 whose salaries and wages are chargeable to the Joint Account under
31 Section II.2. Relocation costs may only be charged for a domestic
32 employee transferred within the United States and assigned to the Joint
33 Property full-time for a minimum of twelve (12) months.
- 34 F. Training costs as specified in COPAS MFI-35 (Charging of Training
35 Costs to the Joint Account) for personnel whose salaries and wages are

1 chargeable under Section II.2. This training charge shall include the
2 wages, salaries, training course cost, and Personal Expenses incurred
3 during the training. The training cost shall be charged or allocated to the
4 property or properties directly benefiting from the training. The cost of
5 the training course shall not exceed prevailing commercial rates, where
6 such rates are available.

- 7
- 8 G. Current cost of established plans for employee benefits, as described in
9 COPAS MFI-27 (Employee Benefits Chargeable to Joint Operations and
10 Subject to Percentage Limitation), applicable to the Host Operator's or
11 Owner's labor costs chargeable to the Joint Account under Sections II.2,
12 based on the Host Operator's or Owner's actual cost not to exceed the
13 employee benefits limitation percentage most recently recommended by
14 COPAS.
- 15
- 16 H. Award payments to employees, whose salaries and wages are chargeable
17 under Section II.2 to the extent such awards pertain to services provided
18 for activities or operations conducted under the Agreement.

19

20 **3. Material**

21

22 Material purchased or furnished by the Host Operator for Joint Operations as
23 provided under Section IV. Only such Material shall be purchased for or
24 transferred to the Joint Property as may be required for immediate use or is
25 reasonably practical and consistent with efficient and economical operations. The
26 accumulation of surplus stocks shall be avoided.

27

28 **4. Transportation**

29

30 Transportation of the Host Operator or Owner employees, Affiliates, or contractor
31 personnel necessary for Joint Operations. Transportation of Material between the
32 Joint Property and another property, or from the Host Operator/Owner's
33 warehouse or other storage point to the Joint Property, shall be charged to the
34 receiving property, and transportation of Material from the Joint Property to Host
35 Operator / Owner's warehouse or other storage point shall be paid for by the
36 Joint Property using the methods in Section IV.1 for freight associated with Direct
37 Purchases and Section IV.2.B for freight associated with transfers.

38

39 **5. Services**

40

41 The cost of goods, services, equipment and utilities provided by third parties
42 except for goods and services covered by Section III (Overhead), or Section II.7
43 (Affiliates), or Section II.9 (Legal Expense). Awards paid to contractors shall be
44 chargeable to the extent such awards pertain to services provided for activities or
45 operations conducted under this Agreement.

1
2 **6. Equipment and Facilities Furnished by Host Operator**

3
4 In the absence of a separately negotiated agreement, equipment and facilities
5 furnished by the Host Operator or Owner will be charged as follows and / or as
6 indicated in Appendix B to this Exhibit C:

- 7
8 A. Operator shall charge the Joint Account for use of Host Operator-owned
9 equipment and facilities, including but not limited to Shore Base Facilities,
10 Offshore Facilities, Remote Technology Centers, warehouses used to store
11 Joint Property, or other facilities at rates commensurate with the costs of
12 ownership and operation. Equipment and facilities owned by the Host
13 Operator, will be charged to the Joint Account at the Host Operator's actual
14 cost. Such costs may include all expenses which would be chargeable
15 pursuant to this Section II if such equipment were jointly owned,
16 depreciation using straight line depreciation method, interest on investment
17 (less gross accumulated depreciation) not to exceed twelve percent (12%)
18 per annum. In addition, for platforms, subsea production systems, and
19 production facilities the rate may include an element of the estimated cost of
20 abandonment, reclamation and dismantlement. Charges for depreciation
21 will no longer be allowable once the equipment has been fully depreciated.
22 Actual cost shall not exceed the average prevailing commercial rate.
- 23
24 B. In lieu of charges in Paragraph 6.A. above, equipment and facilities,
25 including Shore Base and Offshore Facilities, owned by the Host Operator
26 may be charged to the Joint Account at the average prevailing commercial
27 rate for such equipment or facility. If an average commercial rate is used
28 to bill the Joint Account, the Host Operator shall adequately document and
29 support such rate and periodically review and update the rate.
- 30
31 C. When applicable for Host Operator owned or leased motor vehicles, the
32 Host Operator shall use rates published by the Petroleum Motor Transport
33 Association or such other organization recognized by COPAS as the
34 official source of such rates. When such rates are not available, the Host
35 Operator shall comply with the provisions of Paragraph 6.A. or 6.B.
36 above.

37
38 **7. Affiliates**

39
40 Affiliate Materials, facilities, and services provided for the Joint Operations shall
41 be chargeable to the Joint Account as herein provided.

- 42
43 A. An Affiliate of the Host Operator providing services for Joint Operations
44 regardless of work location, shall be chargeable to the Joint Account at the

rate and/or amount that the Affiliate customarily charges the Host Operator for its services.

B. The Parties agree that Affiliate records relating to Materials, facilities or services provided by an Affiliate are not subject to and will not be made available for audit. However, if Affiliate charges are based on rates, the audit of the Affiliate charges shall be limited to verification that the units or basis to which the rates were applied are correct. Upon request by any Party, the Host Operator or Owner shall furnish a certificate of its independent accounting firm confirming that rates or amounts charged by an Affiliate reflect actual cost and do not include any element of profit.

8. Damages and Losses To Joint Property

Costs or expenses necessary to repair, replace or abandon the Joint Property resulting from damages or losses incurred, except to the extent such costs result from a Party's gross negligence or willful misconduct.

9. Legal Expense

The Host Operator may not charge for services of the Host Operator's legal staff or fees and expenses of outside attorneys unless approved by the Parties, except that title examinations and curative work shall be chargeable, unless otherwise provided for in the Agreement. Other types of legal expense, other than attorney fees, such as recording fees and handling, settling, or otherwise discharging litigation, claims, and liens necessary to protect or recover the Joint Property shall be chargeable

10. Taxes and Permits

All taxes and permits of every kind and nature, assessed or levied upon or in connection with the Joint Property, or the production therefrom, and which have been paid by the Host Operator for the benefit of the Parties, including penalties and interest, except to the extent the penalties and interest result from the Operator's gross negligence or willful misconduct

If ad valorem taxes paid by the Host Operator are based in whole or in part upon separate valuations of each Party's working interest, then notwithstanding any contrary provisions, the charges to Parties will be made in accordance with the tax value generated by each Party's working interest.

11. Insurance

Net premiums paid for insurance required to be carried for Joint Operations for the protection of the Parties. If Joint Operations are conducted at locations where the

1 Host Operator acts as self-insurer in regard to its worker's compensation and
2 employer's liability insurance obligation, the Host Operator shall charge the Joint
3 Account manual rates for the risk assumed in its self-insurance program as
4 regulated by the jurisdiction governing the Joint Property. In the case of offshore
5 operations in federal waters, the manual rates of the adjacent state shall be used for
6 personnel performing work On-site, and such rates shall be adjusted for offshore
7 operations by the U.S. Longshoreman and Harbor Workers (USL&H) or Jones Act
8 surcharge, as appropriate.

9

10 **12. Communications**

11 Costs of acquiring, leasing, installing, operating, repairing, maintaining
12 dismantling or abandoning communication facilities or systems including radio,
13 microwave, satellite and fiber optics cable systems / facilities between the Joint
14 Property and the Host Operator's offices. In the event communication facilities
15 systems serving the Joint Property are Host Operator-owned, charges to the Joint
16 Account shall be made as provided in Paragraph 6 of this Section II.

17

18 **13. Computer Systems**

19 Costs of purchasing, leasing, installing, operating, repairing, maintaining,
20 dismantling or abandoning computer systems including hardware, software,
21 system support and personnel in direct support of Joint Operations. If the
22 computer systems serving the Joint Property are Operator-owned, charges to the
23 Joint Account shall be made as provided in Section II.6 (Equipment and Facilities
24 Furnished by Operator)

25

26 **14. Ecological, Environmental and Safety**

27

28 A. Costs incurred for technical services, engineering and drafting to comply
29 with ecological, environmental and safety Laws or standards
30 recommended by Occupational Safety Hazards Act (OSHA) or other
31 regulatory authorities.

32 Ecological and Environmental costs incurred for the benefit of the Joint
33 Property resulting from laws, rules, regulations, or orders for
34 archaeological and geophysical surveys relative to identification and
35 protection of cultural resources and/or other environmental or ecological
36 surveys as may be required by the Minerals Management Service or other
37 regulatory authority.

38 Also, costs to provide or have available pollution containment and
39 removal equipment plus actual costs of control and cleanup and resulting
40 responsibilities of oil and other spills as well as discharges from permitted
41 outfalls as required by applicable laws and regulations are chargeable.

1 Ecological and environmental costs incurred by the Host Operator as
2 deemed by the Host Operator to be appropriate for prudent operations are
3 also chargeable to the extent such costs directly benefit Joint Operations.
4

- 5 B. Safety costs incurred for the benefit of the Joint Property to conduct and/or
6 implement safe operational practices/guidelines as a result of laws, rules,
7 regulations, or orders or as recommended for voluntary compliance.
8 Examples are the requirements mandated by the Occupational Safety and
9 Hazards Act (OSHA), Safety and Environmental Management Program
10 (SEMP), Process Safety Management (PSM), and/or requirements which
11 may be mandated/recommended by similar programs or by other current
12 or successor regulatory agencies. Safety costs incurred by the Operator as
13 deemed by the Operator to be appropriate for prudent operations are also
14 chargeable to the extent such costs directly benefit Joint Operations.
15
- 16 C. Environmental, ecological, and safety training costs for personnel whose
17 time would otherwise be chargeable under Paragraph 14.A or B above,
18 regardless of whether training is mandated by statute or regulatory agency,
19 is chargeable to the Joint Account.
20
- 21 D. Safety and other team accomplishment awards for personnel chargeable to
22 the Joint Account shall be chargeable to the Joint Account.
23

24 In the event of a conflict between the provisions of this Section II, Paragraph 14
25 and Section III, Paragraphs i. and ii., Section II, Paragraph 14 shall prevail.
26

27 **15. Abandonment and Reclamation**

28 Costs incurred for abandonment and reclamation of the Joint Property, including
29 costs required by governmental, regulatory, or judicial authority.
30

31 **16. Other Expenditures**

32 Any other expenditure not covered or dealt with in the foregoing provisions of
33 this Section II, or in Section III and which is of direct benefit to the Joint Property
34 and is incurred by the Host Operator in the necessary and proper conduct of the
35 Joint Operations.
36

37 **III. OVERHEAD**

38 As compensation for administrative, supervision, office services and warehousing
39 costs, the Host Operator shall charge the Joint Account in accordance with this Section
40 III.
41

Unless otherwise agreed to by the Parties, such charge shall be in lieu of costs and expenses of all offices and salaries or wages plus applicable burdens and expenses of all personnel, except those directly chargeable under Section II. The cost and expense of services from outside sources in connection with matters of taxation, traffic, accounting or matters before or involving governmental agencies shall be considered as included in the overhead rates provided for in this Section III unless directly chargeable under Section II or such costs are agreed to by the Parties as a direct charge to the Joint Account.

- 9
- 10 i. Except as otherwise provided in Paragraph 1 of this Section III, the
11 salaries, wages and Personal Expenses of Technical Employees and/or the
12 cost of professional consultant services and contract services of technical
13 personnel directly employed on the Joint Property:
14 () shall be covered by the overhead rates.
15 (X) shall not be covered by the overhead rates.
- 16
- 17 ii. Except as otherwise provided in Paragraph 1 of this Section III, the
18 salaries, wages and Personal Expenses of Technical Employees and/or
19 costs of professional consultant services and contract services of technical
20 personnel either temporarily or permanently assigned to and directly
21 employed in the operation of the Joint Property:
22 () shall be covered by the overhead rates.
23 (X) shall not be covered by the overhead rates.

24

25 1. **Overhead – Operating, Major Construction and Catastrophe**

26

27 As compensation for overhead in connection with Operating, Major Construction
28 and Catastrophe operations, the Host Operator shall charge on a:

29

30 (X) Percentage Basis as follows:

31

32 2. **Overhead - Operating**

33

34 An Operating Rate of thirteen percent (13%) of the cost of operating the Joint
35 Property. The cost of operating the Joint Property includes, but is not limited to,
36 the costs described in these sections of Article V.5.1.3 (b) ii of the Agreement:
37 (a) Satellite Leases Direct Expense, (b) LSPS Direct Expense, (c) Facility Access
38 Modifications Dedicated System, (d) Host Dedicated Facility and (e) Host
39 Common Facilities and 5.4.2 - Future Governmental Regulations and as described
40 in Article IV Section 4.7.2 - Emergency Response.

41

42 The Operating Rate shall be applied to all costs in connection with Joint
43 Operations, except those costs of Major Construction and Catastrophes.

1 The cost of Infrastructure Access and/or Handling Fees, Compensation for
2 Deferred Host Leases Oil Production and for Deferred Host Leases Gas
3 Production, Minimum Monthly Fees, all salvage credits, the value of injected
4 substances purchased for secondary recovery and all taxes and assessments which
5 are levied, assessed and paid upon the mineral interest in and to the Joint Property
6 shall be excluded from the calculation of overhead.
7

8 **3. Overhead - Major Construction**

9
10 To compensate the Host Operator for overhead costs incurred in the construction
11 and installation of fixed assets, the expansion of fixed assets, and any other
12 project clearly discernible as a fixed asset required for the development and
13 operation of the Joint Property, or in the dismantling for abandonment of
14 platforms and related production facilities, the Host Operator shall either
15 negotiate a rate prior to the beginning of construction, or shall charge the Joint
16 Account for overhead in accordance with the following for any Major
17 Construction project. Major Construction projects include, but are not limited to,
18 work described in these sections of Article III - Infrastructure and Facilities of the
19 Agreement: 3.1 - Satellite Well System, 3.2 - Loop Subsea Production System,
20 3.3 - Facility Access Modifications, 4.4 - Use of Platform/Riser Space.
21

22 Since the Host Operator will charge engineering, design and drafting costs related
23 to the project directly to the Joint Account:

24 4 % of total costs

25
26 Total cost shall mean the gross cost of any one project. For the purpose of this
27 paragraph, the component parts of a single project shall not be treated separately.
28

29 In the event of any conflict between the provisions of this Section III and any of
30 the provisions under Section II, the provisions of Section II shall govern.
31

32 **4. Overhead - Catastrophe**

33
34 To compensate Host Operator for overhead costs incurred in the event of
35 expenditures resulting from a single occurrence due to oil spill, blowout,
36 explosion, fire, storm, hurricane, or other catastrophes as agreed to by the Parties,
37 which are necessary to restore the Joint Property to the equivalent condition that
38 existed prior to the event causing the expenditures, Host Operator shall either
39 negotiate a rate prior to charging the Joint Account or shall charge the Joint
40 Account for overhead based on the following:
41

42 Catastrophe Overhead will be charged at the same applicable rates and terms as
43 Section III Paragraphs 2 and 3 (Operating and Major Construction).
44

1 Expenditures subject to the overheads above will not be reduced by insurance
2 recoveries, and no other overhead provisions of this Section III shall apply.
3

4 **5. Amendment of Rates**

5 The Overhead rates provided for in this Section III may be amended from time to
6 time only by mutual ~~agreement~~ between the Parties hereto, if in practice, the rates
7 are found to be insufficient or excessive.
8

9

10 **IV. MATERIAL PURCHASES, TRANSFERS AND DISPOSITION**

11

12 The Host Operator is responsible for Joint Account Material and shall make
13 proper and ~~timely~~ charges and credits for direct purchases, transfers, and dispositions.
14 The Host Operator normally provides all Material for use on the Joint Property but does
15 not warrant the Material furnished. At the Host Operator's option, Material may be
16 supplied by Non-Operators.
17

18

19 **1. Direct Purchases**

20

21 Direct purchases shall be charged to the Joint Account at the price paid by the
22 Host Operator after deduction of all discounts received. A direct purchase is
23 determined to occur when an agreement is made between the Host Operator and a
24 third party for the acquisition of Materials for a specific well site or location.
25 Material provided by the Host Operator under "vendor stocking programs," where
26 the initial use if for a Joint Property and title of the Material does not pass from
27 the vendor until usage, is considered a direct purchase. If Material is found to be
28 defective or is returned to the vendor for any other reason, credit shall be passed
29 to the Joint Account when adjustments have been received by the Host Operator
30 from the manufacturer, distributor, or agent.
31

32 **2. Transfers**

33

34 A transfer is determined to occur when the Host Operator furnishes Material
35 from its storage facility or from another operated property. Additionally, the Host
36 Operator has assumed liability for the storage costs and changes in value and has
37 previously secured and held title to the transferred Material. Similarly, the removal
38 of Material from a Joint Property to the Host Operator's facility or to another
39 operated property is also considered a transfer. Material that is moved from the
40 Joint Property to a temporary storage location pending disposition may remain
41 charged to the Joint Account and is not considered a transfer.
42

1 A. Pricing
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3
4
5

The value of Material transferred to/from the Joint Property should generally reflect the market value on the date of transfer. Transfers of new Material will be priced using one of the following new Material bases:

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- (1) Published prices in effect on date of movement as adjusted by the appropriate COPAS Historical Price Multiplier (HPM) or prices provided by the COPAS Computerized Equipment Pricing System (CEPS). The HPMs and the associated date of published price to which they should be applied will be published by COPAS periodically.
 - (a) For oil country tubulars and line pipe, the published price shall be based upon eastern mill (Houston for special end) carload base prices effective as of date of movement, plus transportation cost as defined in Section IV, Paragraph 2.B.
 - (b) For other Material, the published price shall be the published list price in effect at date of movement, as listed by a supply store nearest the Joint Property (where material is normally available) capable of supplying the material, or point of manufacture, plus transportation costs as defined in Section IV, Paragraph 2.B.
 - (2) A price quotation that reflects a current realistic acquisition cost may be obtained from a supplier/manufacturer.
 - (3) Historical purchase price may be used, providing it reflects a current realistic acquisition cost on date of movement. Sufficient price documents should be available to Non-operators for purposes of verifying Material transfer valuation.
 - (4) As agreed to by the Parties.
 - (5) When higher than specification grade or size tubulars from Host Operator's inventory are used on the Joint Property, Host Operator shall charge the Joint Account at the equivalent price for well design specification tubulars.

B. Freight

Transportation costs should be added to the Material transfer price based on one of the following:

- (1) Transportation costs for oil country tubulars and line pipe shall be calculated using the distance from eastern mill to the railway receiving point nearest the Joint Property based on the carload weight basis as recommended by COPAS in Bulletin 21 and current interpretations.
 - (2) Transportation costs for special mill items shall be calculated from that mill's shipping point to the railway receiving point nearest the Joint Property. For transportation costs from other than eastern mills, the 30,000-pound Specialized Motor Carriers interstate truck rate shall be used. Transportation costs for macaroni tubing shall be calculated based on the Specialized Motor Carriers rate per weight of tubing transferred to the railway receiving point nearest the Joint Property.
 - (3) Transportation costs for special end tubular goods shall be calculated using the 30,000-pound Specialized Motor Carriers interstate truck rate from Houston, Texas, to the railway receiving point nearest the Joint Property.
 - (4) Transportation costs for Material other than that described in Section IV, Paragraphs 2.B(1) through (3), if applicable, shall be calculated from the supply store or point of manufacture, whichever is appropriate, to the railway receiving point nearest the Joint Property.

C. Condition

- (1) Condition "A" - New and unused Material in sound and serviceable condition shall be charged at one hundred percent of the price as determined in Section IV, Paragraphs 2.A and B. Material transferred from the Joint Property that was not placed in service on the Joint Property shall be credited as charged without gain or loss. Any unused Material that was charged to the Joint Account through a direct purchase will be credited to the Joint Account at the original cost paid less restocking charge. All refurbishing costs required or necessary to return the material to original condition, or to correct handling or transportation damages and other related costs will be born by the divesting property. The Joint Account is responsible for Material preparation, handling and transportation costs for new and unused Material charged to the property either through a direct purchase or transfer. Any preparation costs performed, including any internal or external coating and wrapping, will be credited on new Material provided these costs were not repeated for the receiving property.

1
2 (2) Condition "B" - Used Material in sound and serviceable condition
3 and suitable for reuse without reconditioning shall be priced at the
4 condition percentage most recently recommended by COPAS
5 times the price determined by the pricing guidelines in Section IV,
6 Paragraphs 2.A and B. All refurbishing costs required or necessary
7 to return the material to Condition B, or to correct handling or
8 transportation damages and other related costs will be born by the
9 divesting property.

10
11 If the Material was originally charged to the joint Account as used
12 Material and placed in service on the Joint Property, the Material
13 will be credited at the condition percentage most recently
14 recommended by COPAS times the price as determined in Section
15 IV, Paragraphs 2.A and B.

16
17 Used Material transferred from the Joint Property that was not
18 placed in service on the property shall be credited as charged
19 without gain or loss.

20
21 (3) Condition "C" - Material that is not in sound and serviceable
22 condition and not suitable for its original function until after
23 reconditioning shall be priced at the condition percentage most
24 recently recommended by COPAS times the price determined in
25 Section IV, Paragraphs 2.A and B. The cost of reconditioning
26 shall be charged to the receiving property provided Condition C
27 value, plus cost of recondition, does not exceed Condition B value.

28
29 (4) Condition "D" - Other Material that is no longer suitable for its
30 original purpose but usable for some other purpose is considered
31 Condition D Material. Included under Condition "D" are also
32 obsolete items or Material that does not meet original
33 specifications but still has value and can be used in other services
34 as a substitute for items with different specifications. Due to the
35 condition or value of other used and obsolete items, it is not
36 possible to price these items under Section IV, Paragraph 2.A. The
37 price used should result in the Joint Account being charged or
38 credited with the value of the service rendered or use of the
39 Material. In some instances, it may be necessary or desirable to
40 have the Material specially priced as agreed to by the Parties.

41
42 (5) Condition "E" - Junk shall be priced at prevailing scrap value
43 prices.

1 D. Other Pricing Provisions
2

3 (1) Preparations Costs
4

5 Costs incurred by the Host Operator in making Material
6 serviceable including inspection, third party surveillance services,
7 and other similar services will be charged to the Joint Account at
8 prices reflective of the Host Operator's actual costs of the services.
9 Documentation must be retained to support the cost of service.
10 New coating and/or wrapping may be charged per Section IV,
11 Paragraph 2.A.

12 (2) Loading and Unloading Costs
13

14 Loading and unloading costs related to the movement of the
15 Material to the Joint Property shall be charged in accordance with
16 the methods specified in COPAS Bulletin 21.
17

18 3. Disposition of Surplus
19

20 Surplus Material is that Material, whether new or used, that is no longer required
21 for Joint Operations. The Host Operator may purchase, but shall be under no
22 obligation to purchase, the interest of Non-operator in surplus Material.
23

24 Dispositions for the purpose of this procedure are considered to be the
25 relinquishment of title of the Material from the Joint Property to either a third
26 party, a Non-Operator, or to the Host Operator. To avoid the accumulation of
27 surplus materials, the Host Operator should make good faith efforts to dispose of
28 surplus within 12 months through buy/sale agreements, trade, sale to a third party,
29 division in-kind, or other dispositions as agreed to by the Parties.
30

31 The Host Operator may, through a sale to an unrelated third party or entity,
32 dispose of surplus Material having a gross sale value that is less than or equal to
33 the Host Operator's expenditure limit as set forth in the Operating Agreement to
34 which this Accounting Procedure is attached without the prior approval of the
35 Non-Operator. If the gross sale value exceeds the Operating Agreement
36 expenditure limit, the disposal must be agreed to by the Parties.
37

38 The Host Operator may dispose of Condition D and E Material under procedures
39 normally utilized by the Host Operator without prior approval.
40

1 4. Special Pricing Provisions
2
3

4 A. Premium Pricing
5
6

7 Whenever Material is not readily replaceable due to national emergencies,
8 strikes, or other unusual causes over which the Host
9
10

11 Operator has no control, the Host Operator may charge the Joint Account
12 for the required Material at the Host Operator's actual cost incurred in
13 providing such Material, in making it suitable for use, and in moving it to
14 the Joint Property provided notice in writing is furnished to Non-Operators
15 of the proposed charge prior to use and to billing Non-Operators for such
16 Material. During premium pricing periods, each Non-Operator shall have
17 the right to furnish in-kind all or part of his share of such Material suitable
18 for use and acceptable to the Host Operator by so electing and notifying
19 the Host Operator within ten (10) days after receiving notice from the
20 Host Operator.
21
22

23 B. Shop-Made Items
24
25

26 Shop-made items may be priced using the value of the Material used to
27 construct the item plus labor costs. If the Material is from a scrap or junk
28 account, the Material may be priced at either twenty-five percent of the
29 current price as determined in Section IV, Paragraph 2A, or scrap value,
30 whichever is higher, plus costs to fabricate the item.
31
32

33 C. Mill Rejects
34
35

36 Mill rejects purchased as "limited service" casing or tubing shall be priced
37 at eighty percent of K-55/J-55 price as determined in Section IV,
38 Paragraphs 2.A and B. Line pipe converted to casing or tubing with
39 casing or tubing couplings attached shall be priced as K-55/J-55 casing or
40 tubing at the nearest size and weight.
41
42

43 V. INVENTORIES OF CONTROLLABLE MATERIAL
44
45

46 The Host Operator shall maintain records of Controllable Material charged to the
47 Joint Account, as defined in the COPAS Material Classification Manual, with sufficient
48 detail to perform the physical inventories requested unless directed otherwise by the Non-
49 Operators.
50
51

52 Adjustments to the Joint Account by the Host Operator resulting from a physical
53 inventory of jointly owned Controllable Material are limited to the six months following
54 the taking of the inventory. Charges and credits for overages or shortages will be valued
55

1 for the Joint Account based on condition B prices in effect on the date of physical
2 inventory and determined in accordance with Section IV, Paragraphs 2.A and B unless
3 the inventorying Parties can prove another Material condition applies.

4

5 **1. Directed Inventories**

6

7 With an interval of not less than five years, physical inventories shall be
8 performed by the Host Operator upon written request of a majority in working
9 interests of the Non-Operators.

10

11 Expenses of directed inventories will be borne by the Joint Account and may
12 include the following:

- 13
- 14 A. Audit per diem rate for each inventory person in line with the auditor rates
15 determined, adjusted, and published each April by COPAS. The per diem
16 should also be applied to a reasonable number of days for pre-inventory
17 work and for report preparation. The amount of time required for this
18 additional work may vary from inventory to inventory.
- 19
- 20 B. Actual travel including Host Operator-provided transportation and
21 personal expenses for the inventory team.
- 22
- 23 C. Reasonable charges for report typing and processing.

24

25 The Host Operator is expected to exercise judgment in keeping expenses within
26 reasonable limits. Unless otherwise agreed, costs in connection with any post-
27 report follow-up work in settling the inventory will be absorbed by the Non-
28 Operator incurring such costs. Any anticipated disproportionate costs should be
29 discussed and agreed upon prior to commencement of the inventory.

30

31 When directed inventories are performed, all Parties shall be governed by such
32 inventory.

33

34 **2. Non-Directed Inventories**

35

36 A. Host Operator Inventories

37

38 Periodic physical inventories that are not requested by the Non-Operator
39 may be performed by the Host Operator at the Host Operator's discretion.
40 The expenses of conducting such Host Operator inventories shall not be
41 charged to the Joint Account.

1 B. Non-Operator Inventories
2

3 Any Non-Operator(s) may conduct an inventory at reasonable times, at
4 their sole cost and risk with prior notification to the Host Operator of at
5 least thirty (30) days.

6 C. Other Inventories
7

8 Other inventories may be taken whenever there is any sale or change of
9 interest. When possible, the selling Party should notify all other owners
10 30 days prior to the anticipated closing date. When there is a change in
11 Host Operator of the Joint Property, an inventory by the former and new
12 Host Operator should be taken.

13
14 The expenses of conducting such other inventories shall be charged to the
15 Joint Account.
16
17
18

19 **[Remainder of this page intentionally left blank]**

1 APPENDIX A
2
3 Attached to and Made a Part of Exhibit C – Accounting Procedure
4
5
6 AFFILIATES
7
8
9 1) BP Exploration and Production Technology (EPT) Group or successor
10 2) BP Central Development Organization (CDO) or successor
11
12
13
14 [Remainder of this page intentionally left blank]

1 APPENDIX B
2

3 Attached to and Made a Part of Exhibit C – Accounting Procedure
4

5 EQUIPMENT AND FACILITIES FURNISHED BY OPERATOR
6

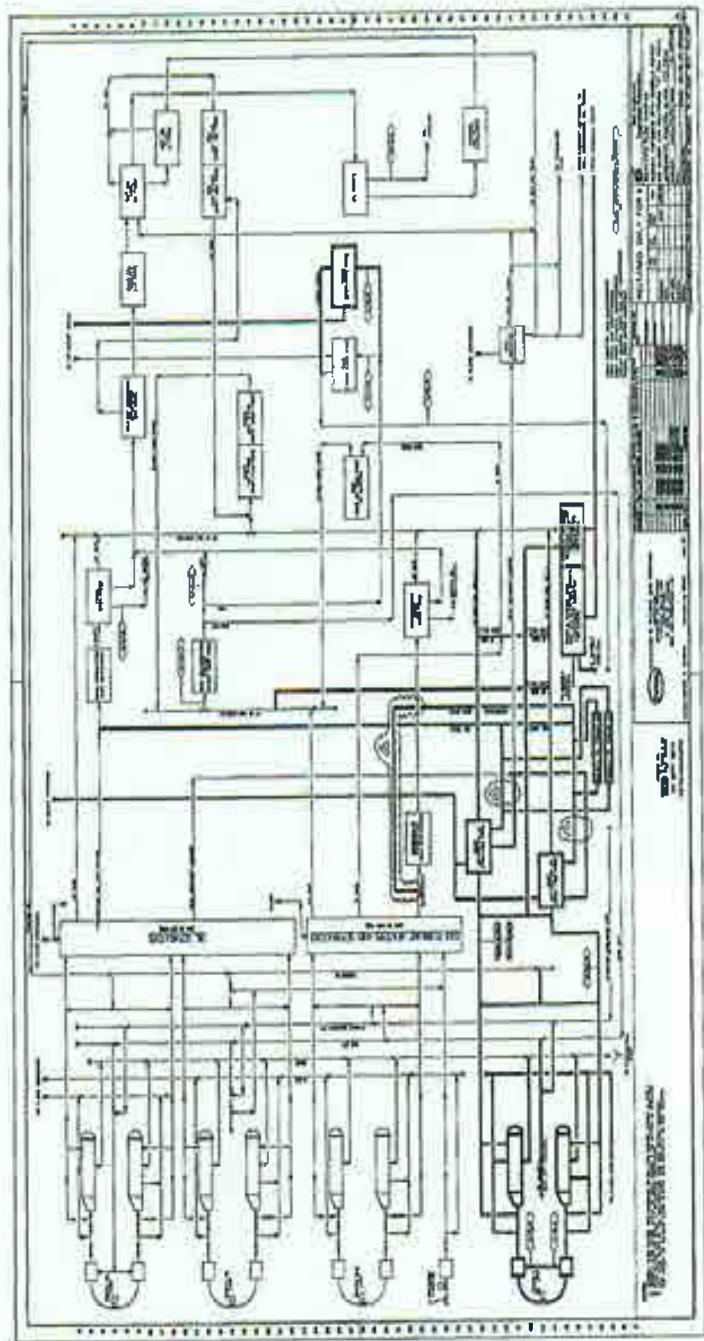
- 7
- 8 A. Host Operator may charge the Joint Account an allocated portion of the cost of the
9 Preservation and Maintenance Facility (PMF) or successor. The PMF will be used to
10 secure, preserve and maintain Gulf of Mexico materials for drilling and completions,
11 wells, operations and subsea projects. The PMF costs will be charged pursuant to the
12 provisions of Section II, Paragraph 6 of this Accounting Procedure.
- 13
- 14 B. Host Operator may charge the Joint Account an allocated portion of the cost of the Houma Learning Center (HLC) or successor. The HLC is used to provide training to the
15 Host Operator's personnel. The HLC costs will be charged pursuant to the provisions of
16 Section II, Paragraph 6 of this Accounting Procedure.
- 17
- 18 C. Host Operator may charge the Joint Account an allocated portion of the cost of the Advanced Collaborative Environments Facility (ACE) or successor. This Remote
19 Technology Center is located offsite of the Joint Property with technology for
20 communicating with field operations and optimizing well performance and reducing field
21 operating expenses on a real time/on-line basis. The ACE costs to be charged shall
22 include all costs (regardless of location) incurred by the Host Operator to operate the
23 ACE and will be charged pursuant to the provisions of Section II.6 of this Accounting
24 Procedure. Such charges shall include, but are not limited, to the following: facilities,
25 communications, computers, software, system support, and ACE personnel provided by
26 the Operator, contract services or Affiliates.
- 27
- 28
- 29

30 [Remainder of this page intentionally left blank]

EXHIBIT "D"

1
2 Attached to and made part of that certain Deepwater Production Handling and Operating Services Agreement dated effective
3 September 21, 2010, by and between OWNER, LSPS OWNERS and PRODUCERS
4
5
6
7

HOST FACILITIES SCHEMATIC



Execution Version

EXHIBIT "E"

Attached to and made part of that certain Deepwater Production Handling and Operating Services Agreement dated effective September 21, 2010, by and between OWNER, LSPS OWNERS and PRODUCERS

HOST SERVICES

The Owner shall provide the LSPS Owners and Producers with certain Services under the terms of this Agreement. Said Services shall (i) be implemented in a manner consistent with the general direction provided by the Host Operator, and (ii) follow procedures mutually agreed upon by the LSPS Operator, Satellite Operators, and Host Operator which shall be furnished in written form if requested by the Host Operator. The cost of said Services shall be handled in accordance with Article V of this Agreement. Said Services shall include the following:

1. Production handling services between the Entry Point and the Delivery Point shall include:
 - (a) Operation, inspection, maintenance, and repair of the Host, including utilities necessary for the safe, reliable operation of the Host
 - (b) LSPS Production receiving
 - (c) Oil inlet heat exchanger
 - (d) Separation
 - (e) Gas dehydration
 - (f) Flash gas compression
 - (g) Boost gas compression
 - (h) Vapor recovery compression
 - (i) Oil treating
 - (j) Hot oiling and/or pigging
 - (k) Condensate re-injection
 - (l) Metering, allocation and shipping
 - (m) Solids and produced water treating and disposal
 - (n) Utilities (electrical power, instrument air, access to fuel gas system) on the Host from Owner's existing sources
 - (o) Pressure relief via the Host flare system
 - (p) Bulks (e.g., supplies, materials, chemicals, parts, equipment) handling on the Host
 - (q) Bulks (e.g., supplies, materials, chemicals, parts, equipment) transportation and personnel transportation from shore to the Host on a space available basis
 - (r) Storage space on the Host for consumables and spare parts on a space available basis
2. Operation of the Satellite Well Systems and LSPS as can be performed from the Host, including, but not limited to:

- (a) Operation of well controls, valves, chokes and safety devices
 - (b) Operation of all platform controls and equipment
 - (c) Operation of all safety shutdown devices related to the Satellite Well System and LSPS in accordance with regulations of the BOEMRE
 - (d) Reporting to the Satellite Operators, as soon as practicable, any significant well, equipment, production, safety, regulatory or logistical problem associated with the Satellite Well System(s)
 - (e) Reporting to the Satellite Operators with daily reports of Satellite Production and maintaining records of all information and reports transmitted, and
 - (f) Providing all materials, supplies, labor and supervision required in connection with such activities

Normal and routine maintenance of the Satellite Well Systems and LSPS equipment installed on the Host, including, but not limited to,

 - (a) Providing consumables such as chokes, orifice plates, glycol and methanol
 - (b) Ordering receiving and verifying receipt of parts, tools, supplies and services
 - (c) Scheduling, performing and reporting of all required tests on safety systems, and
 - (d) Providing all materials, supplies, labor and supervision required in connection with such activities

Integrity testing of the subsea Christmas trees and system valves, including, but not limited to, downhole safety valves.

Well testing, pressure build-up tests, blowdown operations, monitoring of well parameters (including annulus pressure, downhole pressure and temperature, wellhead pressure, metering data and temperature), and adjustment of normal well parameters.

Monitoring of Satellite Well Systems and LSPS parameters, including manifold pressure and temperature, platform arrival pressure and temperature, and other normal parameters.

Operations as can be performed from the Host that are needed to assist in the diagnosis of subsea and operational problems (e.g., monitoring of pressures, temperatures, and flowrates).

Bulk handling, including the transportation (between shore and the Host) of supplies, chemical (chemical as used throughout this Agreement includes methanol) and equipment required for the support of the Satellite Well System and LSPS.

9. Storage of chemicals, other consumables, and spare parts on the Host for the Satellite Well System and LSPS on a space-available basis.
 10. Initial response with the Satellite Operator(s) and LSPS Operator's personnel to equipment breakdowns associated with Satellite Well System and LSPS components located on the Host.
 11. Initial response to emergency situations attributable to the Satellite Well System and LSPS equipment located on the Host and to other subsea facilities, as requested by the Satellite Operator(s) and/or LSPS Operator, (e.g., spills, leaks). The Host Operator shall promptly notify the Satellite Operator(s) and LSPS Operator of such emergency situation and consult on response measures taken and planned. The Host Operator shall continue initial emergency response operations until (i) the appropriate Operator's personnel are directing emergency response and inform the Host Operator that the LSPS Operator or Satellite Operator will assume control of the emergency response operations underway and (ii) the appropriate regulatory agency(s) approve the transfer of control of the response operations to the Satellite Operator or LSPS Operator. The impacted Operator will coordinate emergency response with the Host Operator as necessary for all emergency response activities.
 12. At the request of the Satellite Operator and/or the LSPS Operator, the Host Operator shall, at its discretion, perform subsea remote operated vehicle ("ROV") inspections of the Satellite Well System and LSPS in connection with regularly scheduled ROV inspections. The LSPS Operator and Satellite Operators and the Host Operator shall use reasonable efforts to minimize associated mobilization/demobilization costs by coordinating such inspections with the Host and Host subsea production system ROV operations. ROV inspections shall be at time intervals prescribed by the BOEMRE and shall include:
 - (a) Piping and equipment associated with the Satellite Well System and LSPS;
 - (b) The route of the Satellite Well System and LSPS.
 13. Hot oiling/pigging operations associated with the LSPS flowlines at the discretion of the LSPS Operator and coordinated with the Host Operator, pursuant to hot oiling/pigging procedures mutually agreed to between the Host Operator and LSPS Operator.
 14. Gas lift operations associated with the LSPS flowlines/risers at the discretion of the LSPS Operator and coordinated with the Host Operator, pursuant to gas lift procedures mutually agreed to between the Host Operator and LSPS Operator.
 15. Disposal of flowline hydrostatic test water during initial instillation of the Satellite Well System and LSPS.

1 21. The Satellite Operators shall retain responsibility for all Satellite Well System
2 operations that are not performed from or on the Host including, but not limited
3 to, downhole well operations.

5 [Remainder of this page intentionally left blank]

EXHIBIT "F"

Attached to and made part of that certain Deepwater Production Handling and Operating Services Agreement dated effective September 21, 2010, by and between OWNER, LSPS OWNERS and PRODUCERS

OPERATING AND MAINTENANCE EXPENSES

BP Cost Center	Cost Category	Allocation Basis	Included Satellites	Field Products	WI Splits	Systems Included
SEG 7008508	MC 519 Unit Leases [Satellite Leases Direct Expense]					Starting Point = Wellbore Includes Santa Cruz / Santiago subsea production skid and jumper line(s). Ending point = Santa Cruz / Santiago jumper line(s) interconnection to the LSPS
1000679936	MC 519 & MC 563 Expenses on behalf of Operator	Bill 100% Noble will bill its JV partners	OCS-G 27278 #1 - Santa Cruz OCS-G 21176 - Santiago	N/A		
SEG 7008503	Isabela Lease [Satellite Leases Direct Expense]	WI	OCS-G 19966 - Isabela	N/A		Starting Point = Wellbore Includes Isabela subsea production skid and jumper line(s). Ending point = Isabela jumper line(s) interconnection to the LSPS

SEG 7008540	Looped Subsea Production System (LSPS) [LSPS Direct Expense]	OEB throughput utilizing the Latest Fully Allocated Production Month(s)	OCS-G 19966 - Isabela OCS-G 27278 #1 - Santa Cruz OCS-G 21176 - Santiago	OEB	n/a	Starting points = Downstream of MC 519 Unit Leases and Isabela Lease jumper lines Includes - Choke tie-in bases, subsea manifolds, umbilicals and terminations, flowline, flowline risers Ending point (1) = MC 519 Unit Leases LSPS leg riser boarding valve Ending point (2) = Isabela Lease LSPS leg riser boarding valve
SEG 7008540	Facility Access Modifications [Facility Access Modifications Dedicated System]	OEB throughput utilizing the Latest Fully Allocated Production Month(s)	OCS-G 19966 - Isabela OCS-G 27278 #1 - Santa Cruz OCS-G 21176 - Santiago	OEB	n/a	Starting point (1) = MC 519 Unit Leases flowline riser leg boarding valve Starting point (2) = Isabela Lease flowline riser leg boarding valve Includes: All equipment added to and located on the Host required for the processing and handling of Satellite Production. Inlet separators, process liquids cooling, boarding valves and topsides choke, flowline pig launchers and receivers, methanol injection, subsea chemical injection, riser Gas lift compression, Oil and Gas and water metering and fluid sampling equipment, hydraulic power unit, topsides umbilical termination assembly, master control station Ending point (1) = Departing ball valve for inlet separator (MBD 2080) and inlet heat exchanger (HAL 2060) Ending point (2) = Departing ball valve for inlet separator (MBD 2079) and inlet heat exchanger (HAL 2059)

SEG 1000548933	Gas System Host (Host Dedicated Facility)	Gas throughput utilizing the Latest Fully Allocated Production Month(s)	Gas	n/a	Starting point 1 = Downstream of departing ball valves from gas inlet separators Systems including, but not limited to, the intermediate booster compressor, MEG injection system, MEG ring main, MEG reclamation system, bulk condensate heat exchanger and condensate FWKO Ending Point = Departing ball valves from the condensate FWKO and booster gas compressor
SEG 1000563825	Oil System Host (Host Dedicated Facility)	Oil throughput utilizing the Latest Fully Allocated Production Month(s)	Oil	n/a	Starting Point 1 = Downstream of departing ball valves from HAL 2059, HAL 2060 Starting Point 2 = Inlet shutdown valves to LACT charge pumps on the Oil Shipping Systems Systems including, but not limited to, crude bulk heat exchanger, crude oil FWKO, methanol system, hull flow assurance tanks (wet & dry oil), riser gas compressor package, field gas compressor packages, hull flow assurance ring main piping, hull flow assurance pumps, and oil shipping systems Ending Point 1 = Departing ball valves from the oil FWKO Ending point 2 = Oil pipeline connection point: Upstream flanges of the inlet valve to the pig launcher and the valve allowing bypass of the pig launcher on the Satellite Field (s) boarding valve on the Host Facility.

SEG	Host Common Equipment	Throughput utilizing the Latest Fully Allocated Production Month(s)	East Anstey	LEB	n/a	Starting Point = Downstream of ball valves leaving booster gas compressor, condensate FWKO and oil FWKO.
1000548925	(Host Common Facilities)		MC607 - OCS-G 9837 MC 608 OCS-G 9838 Herschel / Fourier Unit MC520 - OCS-G 982119 MC521 - OCS-G 8822 MC522 - OCS-G 8823 MC565 - OCS-G 11002 MC566 - OCS-G 8831 Ariel Unit MC385 - OCS-G 7938 MC429 - OCS-G 7944 MC430 - OCS-G 9808 Kepler MC383 -			Systems including, but no limited to, electrical generation systems; quarters, galley, hull systems; gas dehydration systems, bulk oil treater, treater degassing separator, vapor recovery unit(s) waste heat recovery systems (with the exception of those included in Dedicated Facilities), utility air systems, produced water systems, platform drainage systems, fuel gas systems, sea-water systems, wet and dry oil tanks, sales gas meters, compression systems (with the exception of those included in Dedicated Facilities), diesel systems, flare systems, helipad, boat docking facilities, utility buildings, fire water systems, potable water systems, emergency pump, communications systems, safety equipment, buoys, sewage treatment systems, computer assisted operations equipment, radar systems and platform cranes. Note W-3 and N-3 Riser baskets utilized by Export Pipelines are part of the HOST. All systems on the Host Facility NOT identified as Dedicated Systems, Host Dedicated Facilities or Export Pipelines.
						Ending Point 1 = Gas pipeline connection point connection of the lower face of the tie-in spool to the flange located directly above the gas pipeline SCR flex joint located in the W-3" riser basket
						Ending Point 2 = Upstream of inlet shutdown valves to LACT charge pumps on the Oil Shipping Systems.

OCS-G
7937
Coulomb
(S)
MC657
OCS-G
8496
Coulomb
(N)
MC613
OCS-G
19974
Isabela
Lease
MG562
OCS-G
19966
MC 619
Unit
Leases
MC519
OCS-G
27278
MC563
OCS-G
21176

EXHIBIT "G"

Attached to and made part of that certain Deepwater Production Handling and Operating Services Agreement dated effective September 21, 2010, by and between OWNER, LSPS OWNERS and PRODUCERS

HOST FLUID LIMITS/OPERATING PARAMETERS

	<u>Composite Value</u>
1. <u>Pressure and Temperature:</u>	
a. Minimum delivery pressure at the Entry Point(s)	0 psig
b. Maximum delivery pressure at the Entry Point(s)	11,000 psig
c. Minimum delivery temperature at the Entry Point(s)	39 °F
d. Maximum delivery temperature at the Entry Point(s)	235 °F
2. <u>Compositional Limits:</u>	
a. H ₂ S	<0.25 grains H ₂ S/100 scf
b. CO ₂	<2 mole percent
c. N ₂ and CO ₂ combined	<3 mole percent
d. Wax	<6% by weight on stabilized atmospheric samples)
e. Asphaltenes	<8% by weight on stabilized atmospheric samples)
f. Methanol	<50 ppm
g. Sand content in liquid	<1 lb / 1000 bbl,
h. Sand content in gas	<0.1 lb / 1,000,000 scf
i. Scale	none
j. Dead Oil API Gravity	20 – 60
k. Dead Oil Viscosity at 100 °F	<50 cp
l. Dead Oil Viscosity at 39 °F	<1,100 cp
m. Dead Oil Wax Appearance Temperature	120 ° F
n. Gas Oil Ratio	50,000 scf / bbl (max. design basis)
o. Total Acid Number	< 0.4 mg KOH/g

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EXHIBIT "H"

Attached to and made part of that certain Deepwater Production Handling and Operating Services Agreement dated effective September 21, 2010, by and between OWNER, LSPS OWNERS and PRODUCERS

INSURANCE PROVISIONS

Host Operator, LSPS Operator, Satellite Operators and Producers shall, at all times during the term of this Agreement, carry and pay for the following types and amounts of insurance, as specified herein, with the exception of Worker's Compensation insurance which shall only be carried by and paid for by Host Operator, LSPS Operator and Satellite Operators. The Producers obligation to carry and pay for the insurance described herein can be met solely by a Satellite Operator, individually or in the aggregate by the associated Producers (values shown herein are on a gross basis).

REQUIRED INSURANCE COVERAGES

1. Worker's Compensation insurance in statutory limits as prescribed by applicable law, covering all liabilities owed for compensation and other benefits under applicable state or federal worker's compensation laws, and Coverage B Employer's Liability Insurance in the amount of Ten Million and No/100 Dollars (\$10,000,000); both the aforementioned statutory coverage and Coverage B shall contain endorsements naming HOST OPERATOR as Alternate Employer and providing coverages for voluntary compensation and occupational disease; and Maritime Coverage B for all of the above coverages and including transportation, wages, maintenance and cure, covering liability under the Longshore and Harbor Workers' Compensation Act, the Jones Act, the Outer Continental Shelf Lands Act, the General Maritime Law, and specifically including coverage for claims of masters and members of crews of vessels and claims under 33 U.S.C.A. §905(b) against any vessel. All policies required by the paragraph 1 shall provide that claims "in rem" shall be treated the same as claims "in personam."
 2. Commercial General Liability (Bodily Injury and Property Damage) Insurance including the following supplementary coverages: (i) Contractual Liability to cover liability assumed under this Agreement; (ii) Products and Completed Operations (iii) Broad Form Property Damage Liability and (iv) Coverage for explosion, collapse and underground hazards. The limit of liability for all such insurance required under with this paragraph 2 shall not be less than One Hundred Million and No/100 Dollars (\$100,000,000) combined single limit per occurrence. All policies required by this paragraph 2 shall provide that claims "in rem" shall be treated the same as claims "in personam."

3. Automobile Bodily Injury and Property Damage Liability Insurance. Such insurance shall extend to owned, non-owned, and hired automobiles used by Producers in connection with its operations. The limits of liability of such insurance shall be not less than Two Million and No/100 Dollars (\$2,000,000) combined single limit per occurrence.
 4. If vessels or barges are used in connection with this Agreement, the Party using or contracting for the use of such vessels or barges shall carry or cause to be carried Hull and Machinery Insurance, including collision liability, on all vessels and barges used in connection with work related to this Agreement with a limit equal to or greater than the fair market value of each such vessel and barge.
 5. If vessels or barges are used in connection with this Agreement, the Party using or contracting for the use of such vessels or barges shall carry or cause to be carried Protection and Indemnity Insurance on all vessels and barges used in connection with work related to this Agreement including coverage for; injuries to or death of masters, mates, and crews, collision liabilities not covered under the vessel's H&M insurance, excess collision liabilities, and pollution liabilities. All policies required by this paragraph 5 shall have deleted therefrom the phrase "as required by contract" and the phrase "as owners of the vessel named herein" and all similar phrases purporting to limit the underwriter liability to that of an owner. The limit of such insurance shall not be less than the value of the vessel or Twenty Million and No/100 Dollars (\$20,000,000) per occurrence, whichever is less. All policies required by the paragraph 5 shall provide that claims "in rem" shall be treated the same as claims "in personam."
 6. If aircraft, including but not limited to helicopters, are used in connection with this Agreement, (excepting such aircraft and helicopters furnished by or employed for hire from Host Operator) the Party using or contracting for the use of such aircraft shall carry or cause to be carried Aircraft Liability (Bodily Injury- including liability to passengers - and Property Damage) insurance with an overall combined single limit per occurrence of not less than One Hundred Million and No/100 Dollars (\$100,000,000).
 7. The Producers, individually for their interest, or Satellite Operators, on behalf of the associated Producers, shall carry Operator's Extra Expense insurance including, but not limited to: coverage for control of well (including underground control of well); seepage, pollution, clean-up and contamination; evacuation expense; deliberate well firing, redrilling expenses and making wells safe. The limit for such insurance shall not be less than Two Hundred Fifty Million and No/100 Dollars (\$250,000,000) combined single limit per occurrence.

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EXHIBIT "I"

Attached to and made part of that certain Deepwater Production Handling and Operating Services Agreement dated effective September 21, 2010, by and between OWNER, LSPS OWNERS and PRODUCERS

DISPUTE RESOLUTION PROCEDURES

I. OVERVIEW

- A. Description and Goals.** Arbitration as used in this statement is a procedure whereby an Arbitrator resolves any claim(s), controversy(ies) or dispute(s) (the "Dispute") between the Parties arising out of, relating to or in connection with the Agreement, including the interpretation, validity, termination or breach thereof.

(i) **Binding:** The arbitration process is binding on the Parties and this arbitration is intended to be a final resolution of any Dispute between the Parties as described above, to the same extent as a final judgment of a court of competent jurisdiction. Each Party hereby expressly covenants that it shall not resort to court remedies except as provided for herein, and for preliminary relief in aid of arbitration.

(ii) **Violation:** A non-prevailing Party shall pay all legal and court costs incurred by the other Party in connection with the enforcement of the final resolution of any Dispute under this Dispute Resolution Procedure. Suits, actions or proceedings in connection with such enforcement shall be instituted in the United States District Court for the Southern District of Texas, and pursuant to Title IX of the United States Code. Each Party waives any option or objection which it may now or thereafter have to the laying of the venue in any such suit, action or proceeding and irrevocably submits to the jurisdiction of such court in any such suit, action or proceeding.

B. Duty to Negotiate: The Parties shall inform one another promptly following the occurrence or discovery of any item or event which might reasonably be expected to result in a Dispute in connection with the Agreement. The Parties will attempt to resolve satisfactorily any such matters.

C. Notice of Unresolved Dispute: Should a Dispute arise which the Parties cannot resolve satisfactorily, either Party may deliver to the other Party a written notice of the Dispute with supporting documentation as to the circumstances leading to the Dispute (the "Notice of Dispute"). The Parties, within ten (10) Days from delivery of such notice, shall then each appoint a management representative

1 ("Management Representative") who has no prior direct involvement with the
 2 subject matter of the Notice of Dispute and who is duly authorized to investigate,
 3 negotiate and settle the Dispute. The Management Representative for each Party
 4 shall meet and confer as often as they deem reasonably necessary for a period not
 5 exceeding thirty (30) Days following the delivery of the Notice of Dispute in
 6 good faith negotiations to resolve the Dispute amicably. The parties in their sole
 7 discretion may also agree to utilize the service of a mediator pursuant to a joint
 8 engagement. Unless otherwise provided herein, all such notices shall be served in
 9 accordance with the provisions of the Agreement.

10

11 II. ARBITRATION PROCESS

12

- 13 A. **Arbitration:** If the Parties are unable to resolve the Dispute within forty (40)
 14 Days following the receipt of the Notice of Dispute, or such additional time as
 15 may be mutually agreed, the matter shall be submitted to arbitration in accordance
 16 with the procedures set forth below.
- 17 B. **Initiation of Arbitration:** The arbitration shall be initiated by either party
 18 delivering to the other a Notice of Intention to Arbitrate.
- 19 C. **Governing Procedures:** Except as expressly provided herein, the arbitration
 20 shall be conducted in accordance with procedures that are mutually acceptable to
 21 the Parties, including limited depositionless discovery.
- 22 (i) **Governing Law:** The Arbitrator shall apply the governing substantive law
 23 of the state chosen by the Parties to the Agreement.
- 24 D. **Arbitrator:** There shall be one Arbitrator, who shall be independent, impartial
 25 and experienced in arbitration proceedings. Arbitrator shall be experienced in the
 26 oil and gas industry and knowledgeable or specializing as to the subject matter
 27 involved in the Dispute. The Arbitrator shall be chosen as follows: the Parties
 28 shall have thirty (30) Days from the delivery of a Notice of Intention to Arbitrate
 29 to mutually agree on an Arbitrator. If the Parties cannot mutually agree within
 30 said thirty (30) Day period, then the Parties shall, within three (3) Days after
 31 expiration of the thirty (30) Day period, apply to the American Arbitration
 32 Association as the Appointing Authority, for the appointment of an Arbitrator for
 33 or on behalf of the Parties, and in such case the Arbitrator appointed by the
 34 Appointing Authority shall meet the criteria set forth in this Section II.D. and
 35 shall act as if mutually agreed to by the Parties.
- 36 (i) **Conflicts:** Any Arbitrator, prior to his or her appointment, shall disclose
 37 to the Parties all actual or perceived conflicts of interest and business
 38 relationships involving the Dispute or the Parties, including but not limited

1 to, any professional or social relationships, present or past, with any Party
 2 (or its affiliates), including any Party's (or its affiliates) directors, officers
 3 and supervisory personnel and counsel. Any Party may challenge in
 4 writing the appointment or continued service of any Arbitrator for lack of
 5 independence, partiality or any other cause likely to impair such
 6 Arbitrator's ability to effectively participate in the proceedings or render a
 7 fair and equitable decision. Where such challenge is made, the
 8 Appointing Authority shall uphold or dismiss the challenge. In the event a
 9 challenge is upheld, the Arbitrator shall be replaced. A replacement will
 10 be selected in the same manner as the original Arbitrator was selected. If
 11 an Arbitrator resigns or becomes unable or unwilling to continue to serve
 12 as the Arbitrator, a replacement shall be selected in the same manner as
 13 that Arbitrator was chosen.

- 14
- 15 (ii) Multi-Party Arbitrations: Where more than two Parties are involved in the
 Dispute ("Multi-Party Arbitration"), all Parties shall jointly name and
 agree as the appointment of the Arbitrator meeting the criteria set forth in
 Section II.D. above. If the Parties cannot agree as to the choice of the
 Arbitrator within the said thirty (30) Days, any of the Parties hereto may in
 like manner, within three (3) Days after written notice to the other Parties,
 apply to the Appointing Authority for the appointment of an Arbitrator
 meeting the criteria set forth in Section II.D. above.
 - 23 (iii) Management of the Arbitration: The Arbitrator shall actively manage the
 proceedings as he or she deems best so as to make the same expeditious,
 economical and less burdensome and adversarial than litigation.

24

25 E. **Confidentiality:** All documents, briefs, testimony, transcripts, as well as, all
 26 Arbitrator decisions shall be confidential. Likewise, the views, suggestions,
 27 admissions, proposals and other information exchanged in the arbitration are
 28 confidential and are inadmissible in any other proceeding.

29

30 F. **Costs and Expenses:** The Parties involved in the dispute shall be equally
 31 responsible for all costs, fees and expenses incurred by the Arbitrator and any
 32 other incidental costs incurred in connection with the arbitration proceeding shall
 33 also be borne equally by the Parties. Each Party is solely responsible for its own
 34 attorneys' fees and expenses incurred in the Arbitration. In the event of a Multi-
 35 Party Arbitration, all costs and expenses shall be borne equally by all Parties.

36

37 G. **Submissions:** Within thirty (30) Days after the selection of the Arbitrator, each
 38 Party shall provide the Arbitrator with a short and plain submission defining the
 39 issues to be decided and the nature of the relief that the Arbitrator may award (the
 40 "Submission"). This Submission shall explicitly authorize the Arbitrator to

1 decide these issues. This authorization shall stay in force for period no longer
 2 than nine (9) months from this Submission. If the Parties are unable to reach
 3 consensus as to the issues involved, the Arbitrator in his or her sole discretion
 4 shall frame the issues through a reasonable procedure. The Arbitrator will render
 5 decisions on the specific issues established and shall fashion any remedy that the
 6 Arbitrator deems appropriate so long as that remedy is consistent with the Parties'
 7 Submissions hereunder. Any money judgment entered by the Arbitrator shall be
 8 payable in U.S. dollars.
 9

10 H. **Transcriptions:** The presentations and argument will be transcribed for the
 11 benefit of the Arbitrator and the Parties.

12 I. **Discovery:** Commencing thirty (30) Days after the receipt of the opposing
 13 Party's Submission, each Party may serve upon the other Party up to ten (10)
 14 requests for the production of documents, including subparts. The requests shall
 15 be made in good faith and not be served for the purpose of delay or harassment.
 16 Each request shall describe the type of document(s) sought and each request shall
 17 be limited to documents that are relevant to a claim or defense in the Arbitration
 18 proceeding, or reasonably calculated to lead to the discovery of admissible
 19 evidence. The requests need not be served all at once but may be served in stages.
 20

21 (i) The Party served with a request under this provision shall provide the
 22 adverse Party with copies of the requested documents, and identify the
 23 request to which each document is responsive, within twenty (20) Days of
 24 the receipt of the request. If the Party served with a request objects to the
 25 production of any of the requested documents, it shall nevertheless
 26 produce within the permitted time all documents responsive to any request
 27 that is not objected to by that Party.
 28

29 (ii) A Party that is served with a request may challenge the propriety of the
 30 request within the time permitted for response by a short written objection
 31 which shall be forwarded to the adverse Party and to the Arbitrator. The
 32 adverse Party shall submit its response, if any, to the objecting Party and
 33 the Arbitrator within five (5) Days of receipt of the objection. The
 34 Arbitrator shall consider the request, the objection and the response, if
 35 any, and decide whether the production shall be allowed or denied or
 36 whether the request should be modified within ten (10) Days after the
 37 submission of the adverse Party's response.
 38

39 J. **Presentations:** No later than twenty-five (25) Days prior to the date that
 40 presentations to the Arbitrator are to begin, each Party will submit to the
 41 Arbitrator and serve on the other Party a written position statement. The original
 42 statement of each Party shall not exceed thirty-five (35) typewritten letter-size
 43

1 pages. Each Party shall have the right to submit reply statements no later than
2 fifteen (15) Days prior to the date of the presentation. Such reply statements shall
3 not exceed fifteen (15) typewritten letter-size pages.

- 4
- 5 (i) All documents and affidavits that a Party intends to use during its
6 presentation shall be submitted to the Arbitrator and served on the other
7 Party with the position and reply statements. All demonstrative exhibits
8 shall be exchanged five (5) Days in advance of the presentations.
- 9
- 10 (ii) The presentations to the Arbitrator shall extend for such time as the
11 Arbitrator agrees to be appropriate. In the absence of any agreement, the
12 presentations for both Parties shall extend for no longer than two (2) Days
13 and shall be concluded within six (6) months after selection of the
14 Arbitrator. Presentations of each Party shall occur successively with no
15 intervening delay.
- 16
- 17 (iii) Each Party shall make an oral and/or documentary presentation of its
18 position in such order and in accordance with the time schedule
19 established by the Arbitrator. The Arbitrator may question each of the
20 presenters during or following any and all presentations.

21

22 The Arbitrator shall determine a reasonable time and location for the
23 presentations.

24

25 K. **Decision and Award:** The Arbitrator shall promptly (within sixty (60) Days of
26 conclusion of the presentations or such longer period as the Parties may mutually
27 agree) determine the claims of the Parties and render a final decision in writing.
28 The decision shall state with specificity the findings of fact and conclusions of
29 law on which it rests. The decision rendered by the Arbitrator may be enforced in
30 accordance with Section I.A.(ii), above, and may only be appealed pursuant to
31 Section L below. The decision shall be served upon each of the Parties by
32 facsimile transmission and by first class mail.

- 33
- 34 (i) If applicable law allows pre-award interest, the Arbitrator may, in his or
35 her discretion, grant pre-award interest and, if so, such interest may be at
36 commercial rates in the state chosen by the Parties pursuant to Section
37 II.C.(i) during the relevant period. Each Party shall be responsible for its
38 own attorney's fees and costs of arbitration. The Arbitrator shall not
39 award consequential, punitive, indirect or other noncompensatory
40 damages.
- 41
- 42 (ii) Within ten (10) Days of receipt of the award either side may submit a
43 Motion to Modify the award. A response shall be due within fifteen (15)

1 Days thereafter and the Arbitrator shall rule thereon within fifteen (15)
2 Days after receipt of the response.

3
4 (iii) Judgment on the award may be entered in a United States District Court
5 for the Eastern District of Louisiana at any time within one year after the
6 decision is made.
7

8 L. **Vacation of Award and Appeal:** An appeal from an order or judgment pursuant
9 to this Section II.L. shall be instituted in the United States District Court for the
10 Eastern District of Louisiana. The court may vacate the award only if the award
11 was procured by or through fraud or corruption. Each Party waives any option or
12 objection which it may now or thereafter have to the laying of the venue of any
13 such suit, action or proceeding and irrevocably submits to the jurisdiction of the
14 court in any such suit, action or proceeding. Each Party agrees that a remedy at
15 law for a violation of this Section II.L. may not be adequate and therefore agrees
16 that the remedies of specific performance and injunctive relief shall be available
17 in the event of any violation in addition to any other right or remedy at law or in
18 equity to which any Party may be entitled.
19

20 M. **Res Judicata:** To the extent permitted by law, any decision of the Arbitrator
21 shall not be res judicata or have any binding effect in any other litigation or
22 arbitration where any Party to this Agreement may also be a party.
23
24 [Remainder of this page intentionally left blank]
25

EXHIBIT "J"

Attached to and made part of that certain Deepwater Production Handling and Operating Services Agreement dated effective September 21, 2010, by and between OWNER, LSPS OWNERS and PRODUCERS

CERTIFICATION OF NONSEGREGATED FACILITIES

9 Contractor certifies that it does not maintain or provide for its employees any segregated
10 facilities at any of its establishments and that it does not permit its employees to perform their
11 services at any location under its control, where segregated facilities are maintained. Contractor
12 certifies further that it will not maintain or provide for its employees any segregated facilities at
13 any of its establishments and that it will not permit its employees to perform their services at any
14 location, under its control, where segregated facilities are maintained. Contractor agrees that a
15 breach of this certification is a violation of the Equal Opportunity Clause in any Government
16 contract between Contractor and Operator. As used in this certification, the term "segregated
17 facilities" means any waiting rooms, work areas, rest rooms and other storage or dressing areas,
18 parking lots, drinking fountains, recreation or entertainment areas, transportation, and housing
19 facilities provided for employees which are segregated by explicit directive or are in fact
20 segregated on the basis of race, color, religion, or national origin because of habit, local custom
21 or otherwise. Contractor further agrees that (except where it has obtained identical certifications
22 from proposed subcontractors) prior to the award of subcontracts exceeding \$10,000 which are
23 not exempt from the provisions of the Equal Opportunity Clause; that it will retain such
24 certifications in its files; and that it will forward the following notice to such proposed
25 subcontractors (except where the proposed subcontractors have submitted identical certifications
26 for specific time periods):

28 NOTICE TO PROSPECTIVE SUBCONTRACTORS OF REQUIREMENT FOR
29 CERTIFICATIONS OF NONSEGREGATED FACILITIES. A Certification of Non-segregated
30 Facilities, as required by the May 9, 1967 order on Elimination of Segregated Facilities, by the
31 Secretary of Labor (32 Fed. Reg. 7439, May 19, 1967), must be submitted prior to the award of a
32 subcontract exceeding \$10,000 which is not exempt from the provisions of the Equal
33 Opportunity Clause. The certification may be submitted either for each subcontract or for all
34 subcontracts during a period (i. e., quarterly, semi-annually or annually). (1968 MAR.) (Note:
35 The penalty for making false statements in offers is prescribed in 18. U.S.C. 1001.) Whenever
36 used in the foregoing Section, the term "contractor" refers to each party to this agreement.

EXHIBIT "K"

3 Attached to and made part of that certain Deepwater Production Handling and Operating
4 Services Agreement dated effective September 21, 2010, by and between OWNER, LSPS
5 OWNERS and PRODUCERS

APPROVED AFE's

[Remainder of this page intentionally left blank]



AUTHORIZATION FOR EXPENDITURE

DATE PREPARED: 20-Mar-2008
 OPERATOR: BP
 LEASE/UNIT/FACILITY: Isabela
 LEASE/FAC PLAT ID:
 WELL DESCRIPTION:
 WELL FLAG:
 BUSINESS UNIT: GoM
 BP WORKING INTEREST: 67%
 JOINT OPERATOR AGREEMENT NO:
 SAP COST CENTER: 1000000007

FINANCIAL MESSO NO: GoM-FW-1008-23
 AFE NO: ZI-005DG
 START DATE: 4-Mar-2008
 END DATE:
 SURFACE LOCATION:
 BOTTOM HOLE LOC:
 PRPSD TOTAL DEPTH:
 COUNTY/STATE: GoM Offshore - Fed:
 OPERATING FIELD: Isabela
 HORIZON: (Formation/Prospect)

SAP NO:	
W/OPC#:	[Select One]
AP/OPC# Cost Center:	

CAPITAL	
Project ID:	11-BP-Original Construction
Project Type:	[Select One]
EXPENSE CODE:	[Select One]
APPLIED TO / Accounts:	[Select One]

EXPENSE	
Project ID:	[Select One]

WELL TYPE - FARMABLE	
[Select One]	[Select One]
[Select One]	[Select One]
FIELD/TOTAL - Required	
[Select One]	[Select One]
COPAS Overhead - Standard	
Major Categories	

PROJECT DESCRIPTION/COMMENTS

In accordance with Article 12 of the Operating Agreement, BP proposes the formation of a Project Team to prepare a Development Plan for Isabela. The scope of work is to progress the development of a viable concept for Isabela. Consider HSE, Regulatory, Host, and Expansion requirements and impacts. Ensure work performed by IPT will allow the Parties to evaluate the scope, timing, costs, and capacity of the proposed Development System.

Project Name: Isabela IPT

WORKING INTEREST OWNERS	INITIAL WI %	FINAL WI %	WI COST	NOTES
BP	68.670%	68.670%	\$10,843,041	
Noble	31.330%	33.330%	\$5,420,707	
			\$0	
Total	100%	100%	Total Costs	\$16,263,748

TANGIBLE/INTANGIBLE	DESCRIPTION	ESTIMATED GROSS COST	
		PROJECT PRODUCER	GROSS
	Technical Labor	\$4,133,501	\$4,133,501
	Subsea Engineering	\$11,473,178	\$11,473,178
	Wells Engineering (D&C)	\$855,070	\$855,070
	TOTAL PROJECT COST	\$16,263,748	\$16,263,748

PROJECT CONTACTS:	NAME	TITLE	EMAIL	PHONE

NOTICE TO NONOPERATOR: Costs shown are estimates only. Nonoperators should not consider these estimates as establishing any limit on the work which will be required to perform the proposed operation. Overhead will be charged in accordance with the Joint Operating Agreement.

ADDITIONAL APPROVALS: PRINT NAME
 AFE ORIGINATOR: Steve Keymer
 OPS MANAGER:
 PROJ GENERAL MANAGER: Casey Bogen
 COMMERCIAL/CONTROL: Steve McMillan / Brian Jochum
 BUSINESS UNIT LEADER: Greg West
 DOA (Delegation of Authority): Vested Yes No: _____
 FINANCIAL TREATMENT: Vested Yes No: _____
 Form 119 Rev. 5-29-07

PARTNER APPROVAL: YES NO DATE 05-21-08

COMPANY NAME / NONOPERATOR: Noble Energy, Inc.
 PRINT NAME: David L. Stover *Executive VP & COO*
 SIGNATURE: *David L. Stover* *WF*

SIGNATURE: *SLK*
Catherine K. Bogen
Surrogate for S. McMillan
C. Bogen
 DATE: March 28, 2008
 03/28/08
 3/28/08



AUTHORIZATION FOR EXPENDITURE

DATE PREPARED:	5/5/2009	FINANCIAL MEMO NO:	GEM-SPU-FM-2009-55	CAPITAL	
OPERATOR:	BP	AFE NO:	21-0067Y	Project ID:	IS - ISB Original Construction
LEASE/UNIT/FACILITY:	MC 582	START DATE:	05/01/09	Project Type:	IS - Capital - Acquisition - PECO
LEASE/FAC ID:		END DATE:	10/31/09	Cap Component:	IS - Iron Drilling Well Data
WELL DESC/NAM/ENO:	Isabela	SURFACE LOCATION:	MC 582	Reimbursement Accounting:	Component Reimbursement - 10
WELL FLAG:		BOTTOM HOLE LOC:	MC 582	EXPENSE	
BUSINESS UNIT:	GeMDWJW/P	PRDSD TOTAL DEPTH:		Request #:	
BP WORKING INTEREST:	66.70%	COUNTY/STATE:	Federal Offshore	INBILL TYPE - B Available:	
JOINT OPRG AGRMNT NO:	MC-582 JOA	OPERATING FIELD:	Galapagos MC-582	On Hold:	
SAP COST CENTER:	1000600C627	PERIODIC:	Planned/Prospect	Development Work:	
PROJECT DESCRIPTION/COMMENTS		Project Name: Isabela - Integrated Project Management (Supplement)			
Authorization is requested for Detail Engineering and Project Management Support for the Isabela IPT to cover expenditures up until October 31. Spend includes PM and Engineering for MC 519 Original Isabela IPT AFE at \$16.3m.					
Interest Owners		Total Wt %	Final Wt %	W/COST	NOTES
BP	66.67%	66.67%	96,600,334		
Nicole	33.33%	33.33%	43,299,670		
	0.000%	0.000%	\$0		
Total	100%	Total	100%	Total Costs	\$3,900,000
TANGIBLE / INTANGIBLE	DESCRIPTION	ESTIMATED GROSS COST			
		PROJECT / PRODUCER	DRY HOLE		
Tangible/Intangible	BP Project Management and Engineering Costs		\$3,600,000		
Tangible/Intangible	JPK Engineering		\$4,200,000		
Tangible/Intangible	Nelson Engineering		\$2,100,000		
		TOTAL PROJECT COST	19,900,000		\$0

NOTICE TO NONOPERATOR: Costs shown are estimates only. Nonoperators should not consider these estimates as establishing any limit on the measures which will be required to perform the proposed operation. Overhead will be charged in accordance with the Joint Operating Agreement.

<u>ADDITIONAL APPROVALS</u>	<u>PARTY NAME</u>
AFF ORIGINATOR:	Brain Budge
PROJ MANAGER	Steve Raymer
SUBSEA PROJ. GEN. MGR.	Stuart Wetmore
FINANCE TEAM LEAD	Doug Slobodnick
DOA (Delegation of Authority)	Verified Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
FINANCIAL TREATMENT	Verified Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
From 115 Rev 11.07	

PARTNER APPROVAL YES NO DATE 06-12-09

COMPANY NAME (NONOPERATOR) Noble Energy, Inc.

PRINT NAME John T. Lewis **POSITION** Vice President

SIGNATURE

SIGNATURE Page 3

10. *Leucosia* (L.) *leucostoma* (L.) *leucostoma* (L.) *leucostoma* (L.)

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AUTHORIZATION FOR EXPENDITURE

DATE PREPARED: 31-Oct-08
 OPERATOR: BP
 LEASE/UNIT/FACILITY: Isabela
 LEASE/FAC FLAG ID:
 WELL DESCRIPTION:
 WELL FLAG:
 BUSINESS UNIT: GCM
 SP WORKING INTEREST: 67%
 JOINT OPRTRG AGREEMENT NO:
 SAP COST CENTER: 1000000627

FINANCIAL MEMO NO: GCM-SPU-FM-2008-94

AFE NO: Z1-00601

START DATE: 1-Nov-08

END DATE:

SURFACE LOCATION:

BOTTOM HOLE LOC:

PRPSD TOTAL DEPTH:

COUNTY/STATE:

OPERATING FIELD: Isabela

HORIZON:
(Formation/prospects)

SAP NO	Z1-00601
Project	(Select One)
SAP COST CENTER	

CAPITAL	
Project ID:	Z1-00601 Original Construction
Project Type:	(Select One) BP Capital Dril Rig Y
EAR COMMITMENT	>> M - Prod Facility (Select One)
REPLACEMENT ACCOUNTING	(Select One)

EXPENSE	
Project ID:	(Select One)

WELL TYPE - If Applicable	
(Select One)	
(Select One)	
(Select One)	
FIELD TRIAL - Required	
(Select One)	
CCPAS Overhead - Required	
Major Completion	

PROJECT DESCRIPTION/COMMENTS

Project Name: Isabela - Long Lead Equipment

In accordance with Article 12 of the Operating Agreement, BP proposes to move forward with the commitment \$35m total gross of Long Lead equipment for the Isabela Project, in order to achieve first oil commencing in 1Q 2011. This AFE is to cover Isabela Long Lead Equipment, primarily riser stress joints, umbilical tubes, and topsides equipment.

Working Interest Owners	Initial WI %	Final WI %	WI COST	NOTES
BP	66.670%	66.670%	\$123,334,500	
Noble	33.330%	33.330%	\$111,665,500	
			\$0	
Total	100%	Total	100%	Total Costs
			\$335,000,000	

TANGIBLE / INTANGIBLE	DESCRIPTION	ESTIMATED GROSS COST	
		PROJECT / PRODUCER	DRY HOLE
	Stress Joints - Material	\$4,500,000	\$4,500,000
	Umbilical - Material	\$20,000,000	\$20,000,000
	Topside - Material	\$8,000,000	\$8,000,000
	Other - UAP	\$4,500,000	\$4,500,000
	TOTAL PROJECT COST	\$35,000,000	\$35,000,000

PROJECT CONTACTS:	NAME	TITLE	EMAIL	PHONE
	Steve Raymer	Project Manager	Steve.Raymer@bp.com	/281 673 1570

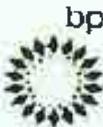
NOTICE TO NONOPERATOR: Costs shown are estimates only. Nonoperators should not consider these estimates as establishing any kind of the money which will be required to perform the proposed operation. Costs will be charged in accordance with the Joint Operating Agreement.

ADDITIONAL APPROVALS PRINT NAME
 AFE ORIGINATOR: Brian Burge
 DRILL/FAC MANAGER:
 PROJ GENERAL MANAGER: Steve Raymer
 COMMERCIAL/CONTROL: Olga Stoyanova
 ASSET MANAGER: Marian Walzura
 DOA (Direction of Authority)
 FINANCIAL TREATMENT
 Form 115 Rev. 11-21-07

PARTNER APPROVAL: YES X NO _____ DATE: 1-12-09
 COMPANY NAME / NONOPERATOR: Noble Energy, Inc.

PRINT NAME: John T. Lewis TITLE: VP Southern Region
 SIGNATURE:

SIGNATURE:
 DATE: 11/18/08
 SIGNATURE:
 DATE: 11/18/08
 SIGNATURE:
 DATE: 11/24/08
 SIGNATURE:
 DATE: 11-24-08
 SIGNATURE:
 DATE: 11-25-08
 SIGNATURE:
 DATE: 11-25-08



AUTHORIZATION FOR EXPENDITURE

SAP NO:	ZI-006DN
PROJ ID:	40
PROJ COST CENTER	

DATE PREPARED:	5/29/2009	FINANCIAL MNU NO:	GMI-SPJ-FM-2009-13
OPERATOR:	BP	AFE NO:	ZI-006DN
LEASE/UNIT/FACILITY:	MC 562	START DATE:	05/01/09
LEASE/PAC FLAG ID:		END DATE:	03/31/10
WELL DESC/NAME/NO.	IS-10023	SURFACE LOCATION:	MC 562
WELL FLAG:		BOTTOM HOLE LOC:	MC 562
BUSINESS UNIT:	GeVDW/DWP	PRPSO TOTAL DEPTH:	
BP WORKING INTEREST:	66.70%	COUNTY/STATE:	Federal Oilshore
JOINT OPRTG AGRMNT NO:	MC-562 JOA	OPERATING FIELD:	Galapagos MC-562
SAP COST CENTER:	1000E42371	HORIZON:	(Formation/Reservoir)

CAPITAL	
Project ID:	ZI-006DN Capitalization
Project Name:	Galapagos Project (Area Add)
Cap Component:	SI-10- Production System
REPLACEMENT ACCOUNTING:	Completed Reserves (10)
EXPENSE	
Project ID:	

WELL TYPE - 8 API/RCM	
Drill:	
Development Well:	
Single Completion:	
FIELD TRIAL - Required:	
Not A Field Trial:	
CDPAS Overhead - Required:	
Major Construction:	

PROJECT DESCRIPTION/COMMENTS	Project Name: Isabela / Galapagos / LSPS - Integrated Project Management
Authorization is requested for Detailed Engineering and Project Management expenditure leading to the issuance of Fabrication AFEs for the Isabela / Galapagos Project. This AFE includes engineering SPC PIs for the Leased Subsea Production System (LSPS) and Topsides modifications under the Isabela Development Plan. This AFE is intended to be superseded by a new AFE with Isabela contractors and working interests following the signing of the LSPS agreement (or other agreement). Additional detailed information can be found in the Isabela Development Plan. This AFE is required to meet the MC 562 SOP Milestones. This is part of the Final Design AFE package.	

WORKING INTEREST OWNERS	Initial WI %	Final WI %	WI COST	NOTES	
BP	66.700%	66.700%	\$16,750,191		
Noble	33.300%	33.300%	\$2,222,019		
Others:	0.000%	0.000%	\$0		
Total	100%	Total	\$25,172,210	Total Cases	\$25,172,210

TANGIBLE/INTANGIBLE	DESCRIPTION	ESTIMATED GROSS COST	
		PROJECT - PRODUCER	OTHOLE
Tangible/Intangible	Project Management Costs		\$25,172,210

TOTAL PROJECT COST	\$25,172,210	\$0
--------------------	--------------	-----

PROJECT CONTACTS:	NAME	TITLE	EMAIL	PHONE
Alain Vautrepouche		Isabela Project Manager	alain.vautrepouche@bp.com	(281) 366-1235
Brian Stover		Project Services Lead	brian.stover@noble-energy.com	(281) 366-1242

NOTICE TO NONOPERATOR: Costs shown are estimates only. Nonoperator should not consider these estimates as cost of any item for the purpose of contract or to determine the price to be charged in accordance with the Joint Operating Agreement.

PARTNER APPROVAL: YES NO DATE 10/15/09

COMPANY NAME/NONOPERATOR: Noble Energy, Inc.
FIR/NAME: David L. Stover TITLE: President and COO
SIGNATURE:

PROJECT APPROVALS:	BP APPROVED
AFE ORIGINATOR:	Steve Baymire
PROJ MANAGER:	Steve Baymire
SUBSEA PROJ GEN MGR:	Robert Marshall
FINANCE DEAN LEAD:	Engine Sommeret
COA (Designation of Authority):	Verifier Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
FINANCIAL TREATMENT:	Verifier Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
FORM 1000 Rev. 6/1/07	

SIGNATURE:		DATE: 8/10/09
		8/10/09
		10 Aug 09
		10 Aug 09



Supplement
AUTHORIZATION FOR EXPENDITURE



AUTHORIZATION FOR EXPENDITURE

bp		SAP NO: ZI-006DQ																							
PROJECT NUMBER:		1000840373																							
DATE PREPARED:		05/01/09																							
OPERATOR:		BP																							
LEASE/UNIT/FACILITY:		MC657																							
LEASE/FAC PLAT ID:																									
WELL DESCRIPTION:		153263																							
WELL FLAG:																									
BUSINESS UNIT:		GeM/Div. DivD																							
BP WORKING INTEREST:		66.70%																							
JOINT PARTS AGREEMENT NO.:		MC-502 JOA																							
SAP COST CENTER:		1000840373																							
POLITICAL VENUE ID:		GEM-SPU-FM-MC657-02																							
AFE NO.:		ZI-006DQ																							
START DATE:		05/01/09																							
END DATE:		01/31/10																							
SURFACE LOCATION:		MC 652																							
BOTTOM HOLE LOC:		MC 652																							
PROD TOTAL DEPTH:																									
COUNT/STATE:		Federal Offshore																							
OPERATING FIELD:		Gulf of Mexico MC-502																							
PROD/DRILL/GRANT/RENTAL:		(general or prospect)																							
PROJECT DESCRIPTION/DOCUMENTS:		(Project Name, Isabela / Galapagos - Epcises)																							
<p>Authorization is requested for Fees des Ecuement & Pre-Installation activities starting prior to the issuance of Fabrication AFEs for the Isabela / Galapagos Project. This AFE includes Test/Des modifications and on the Isabela Development Plan. This AFE is intended to be succeeded by a new AFE w/ updated components and working interests for the Isabela MC-519 and MC-502 PWA agreement (or other agreement). Additional scope information can be found in the Isabela Development Plan. This AFE is required to meet the MC-502 SOP measures. This is part of the Final Design AFE package.</p>																									
Working Interest OWNERS:		<table border="1"> <tr> <th>Initial WI %</th> <th>Final WI %</th> <th>WI COST</th> <th>NOTES</th> </tr> <tr> <td>66.70%</td> <td>66.70%</td> <td>\$11,874,600</td> <td></td> </tr> <tr> <td>33.30%</td> <td>33.30%</td> <td>\$10,925,400</td> <td></td> </tr> <tr> <td>0.00%</td> <td>0.00%</td> <td>40</td> <td></td> </tr> <tr> <td>Total 100%</td> <td>Total 100%</td> <td>Total Cost: \$22,800,000</td> <td></td> </tr> </table>	Initial WI %	Final WI %	WI COST	NOTES	66.70%	66.70%	\$11,874,600		33.30%	33.30%	\$10,925,400		0.00%	0.00%	40		Total 100%	Total 100%	Total Cost: \$22,800,000				
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33.30%	33.30%	\$10,925,400																							
0.00%	0.00%	40																							
Total 100%	Total 100%	Total Cost: \$22,800,000																							
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		PROJECT PRODUCER	DRY HOLE																						
Tangible/Intangible	Deposits Other UAP	\$11,874,600 \$10,925,400																							
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NAME	TITLE	EMAIL	PHONE																						
Mike Vandenberghe	Project Manager	m.vandenberghe@bp.com	404-246-8720																						
David L. Stover	Project Manager	david.stover@bp.com	404-246-8716																						
NOTICE TO CONSIDERATOR: CDS makes no estimates only. Considerator should not consider these estimates as establishing anything on the project which will be required to perform the proposed services. Consideror will be charged in accordance with the Isabela Operating Agreement.		<table border="1"> <tr> <td>PARTNER APPROVAL:</td> <td><input checked="" type="checkbox"/></td> <td><input type="checkbox"/></td> <td>DATE: <u>10/15/09</u></td> </tr> <tr> <td colspan="4">COMPANY NAME: CONSIDERATOR</td> </tr> <tr> <td>POINT NAME:</td> <td colspan="3">David L. Stover</td> </tr> <tr> <td>SIGNATURE:</td> <td colspan="3"><u>David L. Stover</u></td> </tr> </table>	PARTNER APPROVAL:	<input checked="" type="checkbox"/>	<input type="checkbox"/>	DATE: <u>10/15/09</u>	COMPANY NAME: CONSIDERATOR				POINT NAME:	David L. Stover			SIGNATURE:	<u>David L. Stover</u>									
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COMPANY NAME: CONSIDERATOR																									
POINT NAME:	David L. Stover																								
SIGNATURE:	<u>David L. Stover</u>																								
ADDITIONAL AFE SIGNERS:		<table border="1"> <tr> <td>SIGNATURE</td> <td>DATE</td> </tr> <tr> <td>B.L. Stover</td> <td>8/6/09</td> </tr> <tr> <td>C.J. Stover</td> <td>8/6/09</td> </tr> <tr> <td>R. Marshall</td> <td>10 Aug 2009</td> </tr> <tr> <td>J. J. B.</td> <td>10 Aug 2009</td> </tr> <tr> <td>Other: <u>None</u></td> <td></td> </tr> <tr> <td>Legal: <u>None</u></td> <td></td> </tr> </table>	SIGNATURE	DATE	B.L. Stover	8/6/09	C.J. Stover	8/6/09	R. Marshall	10 Aug 2009	J. J. B.	10 Aug 2009	Other: <u>None</u>		Legal: <u>None</u>										
SIGNATURE	DATE																								
B.L. Stover	8/6/09																								
C.J. Stover	8/6/09																								
R. Marshall	10 Aug 2009																								
J. J. B.	10 Aug 2009																								
Other: <u>None</u>																									
Legal: <u>None</u>																									
AFE ORIGINATOR:		East Dura																							
PROJ MANAGER:		STEVE CALIFER																							
PROJ MANAGER:		Mike Vandenberghe																							
SUBSEA PROJ. GEN. MGR:		Robert Marshall																							
FOLIANCE TEAM LEAD:		Brigitte Sommerer																							
DOA (Direction of Authority):		Verified Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>																							
FINANCIAL TREATMENT:		Verified Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>																							



Supplement
AUTHORIZATION FOR EXPENDITURE

DATE PREPARED:	3/30/2010	FINANCIAL MILE NO.:	G-1-M SPUD-FM-2009-1
OPERATOR:	BP	API NO.:	
LEASE/UNIT/FACILITY:	MC582	START DATE:	05/01/09
LEASE/TAC FLAG ID:		END DATE:	12/31/10
WELL DESCRIPTION:	Island 582	SURFACE LOCATION:	NC 582
WELL FLAG:		SECTION/HOLE LOC.:	MC 582
BUSINESS UNIT:	GoNOW DWP	PROD TOTAL DEPTH:	
BP WORKING INTEREST:	88.70%	COLL STATE:	Federal Offshore
JOINT CPTG AGREEMENT NO.:	MC-582 JCA	OPERATING FIELD:	Gulf of Mexico MC-582
BAP COST CENTER:	1000842371	HQS SZN:	

SAP NO.	Z1-0060Q
Wkday	00
Wkday 0047 001324	

Project ID		Project Name
Project Type		Description
Project ID	B-001 Original Construction	
Project Type	Construction - New Building (Single Unit)	
Category	Commercial	Commercial Building
Category	Commercial	Commercial Equipment - HQ

EXPENSE	
Project ID	
WELL TYPE - E FLOOR	
Oil Well	
Government Well	
Single Completion	
FIELD WELL	
Gas & Oil Well	
CDS-E3 Standardized	
Major Construction	

Authorization is requested to supplement this AFE in the Amount of \$5.2M in order to closeout P.O.'s assigned to this AFE for Topides Equipment. This AFE includes Topides modifications on the Na Kha platform per the Isabell Development Plan. This AFE is intended to be superseded by a new AFE with updated co-owners and working interests following the signing of the MC 519 and MC 562 PPA agreements (or other agreement).

Working Interest OWNERS	Initial Wt %	Final Wt %	Wt Chg	NDINS
BP	66.700%	66.700%	\$79,343,000	
Repsol	33.300%	33.300%	\$38,887,000	
	0.000%	0.000%	\$0	
Total	100%	100%	Total Cash	\$118,000,000

TANGIBLE / INTANGIBLE	DESCRIPTION	ESTIMATED GROSS COST		
		Previous AFC Value	REVISED AFC VALUE	Supplemental Description
Tangible/intangible	Tepidex	\$10,300,000	\$29,000,000	\$18,700,000
Tangible/intangible	Other/UAP	\$3,500,000	\$0	(-\$3,500,000)

PROJECT CONTACTS:	NAME	TITLE	EVAL	PHONE
✓ <u>John Vanderkam</u>	<u>Project Manager</u>	<u>Project Services Lead</u>	<u>✓View Details</u>	(212) 345-1239
✓ <u>Paul Smith</u>	<u>Project Manager</u>	<u>Project Services Lead</u>	<u>✓View Details</u>	(212) 345-1240

NOTICE TO NON-OPERATORS: Costs shown are estimates only. Non-operators should not consider these estimates as establishing any limit on the amount which will be required to perform the proposed operation. Overhead will be charged in accordance with the Joint Operating Agreement.

COMPANY NAME/INCHOPERATOR: Noble Energy, Inc.
PRINT NAME: John T. Lewis Mr. Vice President
SIGNATURE: John T. Lewis

<u>ADDITIONAL APPROVALS:</u>	<u>POINT NAME</u>	<u>SIGNATURE</u>	<u>DATE</u>
ARE ORIGINATOR:	Mike Burt		8/3/2010
PROJ MANAGER	Mike Vandeveer		8/3/2010
SUBSEA PROJ GEN. MGR.	Roger Wright		5 Aug 2010
FINANCE TEAM LEAD	Ben Hellman		9 Aug 2010
DOA (Delegation of Authority)	Valided Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	Issue AB for AWright	10 Aug 2010
FINANCIAL TREATMENT	Valided Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	Issue AC for AWright	10 Aug 2010
Form 113 Rev. 3/2007			



AUTHORIZATION FOR EXPENDITURE

SAP NO.	Z1-007DQ
WORKS	W
APPROVED CHIEF ENGINEER	

**FIRST AMENDMENT OF THE PRODUCTION HANDLING AND
OPERATING SERVICES AGREEMENT**

PREAMBLE

This FIRST AMENDMENT OF THE PRODUCTION HANDLING AND OPERATING SERVICES AGREEMENT ("First Amendment") effective as of December 1, 2011, ("Effective Date") is entered into by and between BP EXPLORATION & PRODUCTION INC. ("BP"), hereinafter referred to as the "Owner", in its capacity as a co-owner of the "Host" (as defined herein below), and BP; NOBLE ENERGY, INC. ("Noble"); RED WILLOW OFFSHORE, LLC ("Red Willow"); and HOUSTON ENERGY DEEPWATER VENTURES I, LLC ("HEDV"), hereinafter referred to collectively as "Producers", in their respective capacity as co-owners of each of the "Satellite Leases" (as defined herein below); and BP, Noble, Red Willow, and HEDV, hereinafter referred to collectively as the "LSPS Owners" in their capacity as co-owners of the "Loop Subsea Production System" or "LSPS" (as defined herein below). Each signatory hereto is sometimes referred to singularly as a "Party" or collectively as the "Parties".

RECITALS:

WHEREAS, BP and Noble are co-owners of the Isabela Lease; and

WHEREAS, BP, Noble, Red Willow and HEDV are co-owners of the MC-519 Unit Leases; and

WHEREAS, the LSPS Owners are co-owners of the "Loop Subsea Production System" or "LSPS"; and

WHEREAS, Noble, Red Willow, HEDV and BP, in their capacity as Producers, entered into that certain Production Handling and Operating Services Agreement ("PHA") dated effective September 21, 2010 with BP in its capacity as co-owner of the Host; and

WHEREAS, Noble, Red Willow, HEDV and BP, in their capacity as LSPS Owners, entered into that certain Galapagos Area Loop Subsea Production System Construction and Operating Agreement ("LSPSOA") dated effective December 1, 2011 with BP in its capacity as operator of the LSPS; and

WHEREAS, the Parties desire to amend the PHA pursuant to the terms and conditions set forth below.

NOW, THEREFORE, in consideration of the premises, the mutual covenants and agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1.

MC 519 Unit Leases Depth.

(a) Section 2.2.74 "MC519 Unit Leases" shall be deleted in its entirety and replaced with the following language:

"**MC 519 Unit Leases**" means the oil and gas leases OCS-G 27278 covering and affecting Mississippi Canyon Block 519 and OCS-G 21176 covering and affecting Mississippi Canyon Block 563 in the Gulf of Mexico."

(b) Section 15.16 Commitment of Oil and Gas Reserves shall be deleted in its entirety and replaced with the following language:

"Subject to Article X (*Term, Default, and Termination*) of this Agreement, for the life of the Satellite Leases, the Producers commit to: (i) deliver all Satellite Production to the Host for production handling, except that the Producers reserve unto themselves, their successors and assigns, the right: (a) to use quantities of Satellite Production sufficient to satisfy Satellite Leases' development and operations including, but not limited to, additional recovery operations and the use of gas for fuel, flaring, pigging, drilling, deepening, reworking, or other such lease operations; and (b) to use quantities of Satellite Production sufficient to satisfy any royalty interest in Satellite Production that the royalty owner may elect to take in kind."

2.

LSPS Cost Charging Procedure.

Section 5.1.4(b) Cost Charging Procedure shall be deleted in its entirety and replaced with the following language:

"(b) LSPS Direct Expense (including Routine Expenses and Non-Routine Expenses) incurred at the Host strictly for the benefit of the LSPS will be borne by the respective LSPS Owners but billed to the LSPS Operator. The LSPS Operator will not reapply an overhead charge to LSPS Direct Expense for charges passed down to LSPS Owners, once overhead has been applied from the Host Operator."

3.

Accounting Procedures.

Exhibit C Accounting Procedures, Article I General Provisions, Section 3, Advanced Payments by Non-Operators shall be deleted in its entirety and replaced with the following language:

"A. Unless otherwise provided for in this Agreement, the Operator may require the Non-Operators to advance their share of estimated cash outlay (except for expenditures for Facility Access Modifications) for the succeeding month's operation within thirty (30) days after receipt of the billing or by the first Day of the month for which the advance is required, which ever is later. Operator shall adjust each monthly billing to reflect

advances received from the Non-Operators. Non-Operators are required to advance their proportionate share of the estimated costs of any Facility Access Modifications per Section 3.3.2 of this Agreement.

- B. Each Non-Operator shall pay its proportionate share of all bills within thirty (30) days of receipt date. If the payment due date for such bill falls on a weekend or on a statutory holiday, the payment will be due on the preceding business day. If payment is not made within such time, the unpaid balance shall bear interest compounded monthly at the prime rate published by the Wall Street Journal on the first day of each month the payment is delinquent, plus three percent (3%), per annum, or the maximum contract rate permitted by the applicable usury Laws governing the Joint Property, whichever is the lesser. In addition, the delinquent party shall bear attorney's fees, court costs, and other costs in connection with the collection of unpaid amounts. If the Wall Street Journal ceases to be published or discontinues publishing a prime rate, the unpaid balance shall bear interest compounded monthly at the prime rate published by the Federal Reserve plus three percent (3%), per annum. Interest shall begin accruing on the first day of the month in which the payment was due. Payment shall not be reduced or delayed as a result of inquiries or anticipated credits unless the Operator has agreed."

4. "BP Exploration & Production, Inc." shall be deleted in its entirety and replaced with "BP Exploration & Production Inc.".

5. Except as set forth herein, all other terms and conditions of the PHA shall remain in full force and effect.

6. This First Amendment may not be modified or amended except by written agreement executed by the Parties hereto.

7. This First Amendment may be executed by signing the original or a counterpart thereof. If this First Amendment is executed in multiple counterparts, each counterpart will be deemed an original and all counterparts when taken together will constitute but one and the same Agreement with the same effect as if all of the Parties had signed the same instrument. This First Amendment may also be ratified by separate instrument referring to this First Amendment and adopting by reference all the provisions of this First Amendment. A ratification of this First Amendment will have the same effect as an execution of the original First Amendment.

8. Capitalized terms used in this First Amendment not defined herein, shall have the same meaning given to them in the PHA.

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, this First Amendment is executed by each Party through its duly authorized agent or representative on the date shown below the respective signature of each, but is effective as of the Effective Date.

OWNER

BP EXPLORATION & PRODUCTION INC. (Owner)

By: 

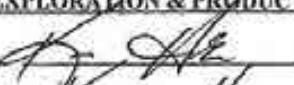
Name: Kemper Howe

Title: Attorney-in-Fact

Date: 4/17/12

ISABELA PRODUCERS

BP EXPLORATION & PRODUCTION INC. (Isabela Producer and Operator)

By: 

Name: Kemper Howe

Title: Attorney-in-Fact

Date: 4/17/12

NOBLE ENERGY, INC. (Isabela Producer)

By: _____

Name: _____

Title: _____ 

Date: _____

IN WITNESS WHEREOF, this First Amendment is executed by each Party through its duly authorized agent or representative on the date shown below the respective signature of each, but is effective as of the Effective Date.

OWNER

BP EXPLORATION & PRODUCTION INC. (Owner)

By: _____

Name: _____

Title: _____

Date: _____

ISABELA PRODUCERS

BP EXPLORATION & PRODUCTION INC. (Isabela Producer and Operator)

By: _____

Name: _____

Title: _____

Date: _____

NOBLE ENERGY, INC. (Isabela Producer)

By: John T. Lewis

Name: John T. Lewis

Title: Vice President

Date: January 20, 2012



MC 519 UNIT PRODUCERS

NOBLE ENERGY, INC. (MC 519 Unit Producer and Operator)

By: _____

Name: _____

Title: _____

Date: _____

BP EXPLORATION & PRODUCTION INC. (MC 519 Unit Producer)

By: _____

Name: _____

Title: _____

Date: _____

RED WILLOW OFFSHORE, LLC (MC 519 Unit Producer)

By: _____

Name: _____

Title: _____

Date: _____

HOUSTON ENERGY DEEPWATER VENTURES I, LLC (MC 519 Unit Producer)

By: P. David Amend

Name: P. David Amend

Title: Vice President Land

Date: 1-18-12

MC 519 UNIT PRODUCERS

NOBLE ENERGY, INC. (MC 519 Unit Producer and Operator)

By: _____

Name: _____

Title: _____

Date: _____

BP EXPLORATION & PRODUCTION INC. (MC 519 Unit Producer)

By: _____

Name: _____

Title: _____

Date: _____

RED WILLOW OFFSHORE, LLC (MC 519 Unit Producer)

By: Robert J. Voorhees

Name: Robert J. Voorhees

Title: President

Date: 1/20/12

HOUSTON ENERGY DEEPWATER VENTURES I, LLC (MC 519 Unit Producer)

By: _____

Name: _____

Title: _____

Date: _____

MC 519 UNIT PRODUCERS

NOBLE ENERGY, INC. (MC 519 Unit Producer and Operator)

By: John T. Lewis

Name: John T. Lewis

Title: Vice President

Date: January 20, 2012



BP EXPLORATION & PRODUCTION INC. (MC 519 Unit Producer)

By: _____

Name: _____

Title: _____

Date: _____

RED WILLOW OFFSHORE, LLC (MC 519 Unit Producer)

By: _____

Name: _____

Title: _____

Date: _____

HOUSTON ENERGY DEEPWATER VENTURES I, LLC (MC 519 Unit Producer)

By: _____

Name: _____

Title: _____

Date: _____

MC 519 UNIT PRODUCERS

NOBLE ENERGY, INC. (MC 519 Unit Producer and Operator)

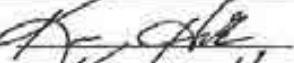
By: _____

Name: _____

Title: _____

Date: _____

BP EXPLORATION & PRODUCTION INC. (MC 519 Unit Producer)

By: 

Name: Karen Hawk

Title: Attorney at Law

Date: 4/12/12

RED WILLOW OFFSHORE, LLC (MC 519 Unit Producer)

By: _____

Name: _____

Title: _____

Date: _____

HOUSTON ENERGY DEEPWATER VENTURES I, LLC (MC 519 Unit Producer)

By: _____

Name: _____

Title: _____

Date: _____

LSPS OWNERS

BP EXPLORATION & PRODUCTION INC. (LSPS Owner and Operator)

By: _____

Name: _____

Title: _____

Date: _____

NOBLE ENERGY, INC. (LSPS Owner)

By: _____

Name: _____

Title: _____

Date: _____

RED WILLOW OFFSHORE, LLC (LSPS Owner)

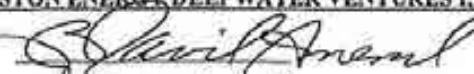
By: _____

Name: _____

Title: _____

Date: _____

HOUSTON ENERGY DEEPWATER VENTURES I, LLC (LSPS Owner)

By: 

Name: P. David Amend

Title: Vice President Land

Date: 1-18-12

LSPS OWNERS

BP EXPLORATION & PRODUCTION INC. (LSPS Owner and Operator)

By: _____

Name: _____

Title: _____

Date: _____

NOBLE ENERGY, INC. (LSPS Owner)

By: _____

Name: _____

Title: _____

Date: _____

RED WILLOW OFFSHORE, LLC (LSPS Owner)

By: Robert J. Voorhees

Name: Robert J. Voorhees

Title: President

Date: 1/20/12

HOUSTON ENERGY DEEPWATER VENTURES I, LLC (LSPS Owner)

By: _____

Name: _____

Title: _____

Date: _____

LSPS OWNERS

BP EXPLORATION & PRODUCTION INC. (LSPS Owner and Operator)

By: _____

Name: _____

Title: _____

Date: _____

NOBLE ENERGY, INC. (LSPS Owner)

By: John T. Lewis

Name: John T. Lewis

Title: Vice President

Date: January 20, 2012

RED WILLOW OFFSHORE, LLC (LSPS Owner)

By: _____

Name: _____

Title: _____

Date: _____

HOUSTON ENERGY DEEPWATER VENTURES I, LLC (LSPS Owner)

By: _____

Name: _____

Title: _____

Date: _____

LSPS OWNERS

BP EXPLORATION & PRODUCTION INC. (LSPS Owner and Operator)

By:

Name: Karen Hawk

Title: Assistant, Ad. Fast

Date: 4/17/12

NOBLE ENERGY, INC. (LSPS Owner)

By: _____

Name: _____

Title: SKV

Date: _____

RED WILLOW OFFSHORE, LLC (LSPS Owner)

By: _____

Name: _____

Title: _____

Date: _____

HOUSTON ENERGY DEEPWATER VENTURES I, LLC (LSPS Owner)

By: _____

Name: _____

Title: _____

Date: _____

SECOND AMENDMENT TO PRODUCTION HANDLING AND OPERATING SERVICES AGREEMENT

This Second Amendment to the Production Handling and Operating Services Agreement (this “**Agreement**”) is made effective as of October 15, 2018 (the “**Effective Date**”) by and among BP Exploration & Production Inc. (“**BP**”), Fieldwood Energy LLC (“**Fieldwood**”), Red Willow Offshore, LLC (“**Red Willow**”) and Houston Energy Deepwater Ventures I, LLC (“**HEDV**”). BP, Fieldwood, Red Willow and HEDV may each be referred to herein as a “**Party**” or collectively as “**Parties**”.

WITNESSETH

WHEREAS, reference is made to that certain Production Handling and Operating Services Agreement effective as of September 21, 2010, by and between BP, Noble Energy, Inc., Red Willow and HEDV, as amended by that certain First Amendment of the Production Handling and Operating Services Agreement effective as of December 1, 2011, by and between BP, Noble Energy, Inc., Red Willow and HEDV (the “**PHA**”); and

WHEREAS, the Parties desire to amend the definition of MC 519 UOA of the PHA to reflect a newly contemplated joint operating agreement;

NOW, THEREFORE, in consideration of the promises, mutual covenants and conditions herein contained, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. As of the Effective Date, Section 1.2.3 of the PHA shall be deleted in its entirety and replaced with the following:

Except for the Operating Services with respect to the MC 519 Unit Leases described in Article IV (Services) of this Agreement which shall be performed by the Host Operator hereunder, the provisions of (a) the MC 519 Unit Operating Agreement effective as of January 1, 2009 by and between BP, Noble, Red Willow and HEDV as amended by that certain First Amendment of the Unit Operating Agreement and Establishment of Lease Offshore Operating Agreements, dated effective as of October 10, 2014, by and among BP, Red Willow, HEDV, Noble Energy, Inc., Deep Gulf Energy III, LLC, Ridgewood South Santa Cruz, LLC and ILX Prospect South Santa Cruz, LLC as the owners of that portion of the MC 519 Unit Leases that does not cover the Operating Rights Interest in the SW4 and S2 NW4 from 0 – 14,000’ TVDSS (the “**CPN Prospect**”), hereinafter referred to as (the “**MC 519 Agreement**”) shall govern the rights, duties and obligations among such Producers associated with: (i) operations on such portions of the MC 519 Unit Leases; (ii) those portions of the Satellite Well System located on such portions of the MC 519 Unit Leases; and (iii) the decision-making process between the owners of such portions of the MC 519 Unit Leases related to this Agreement and (b) the provisions of the CPN Prospect Joint Operating Agreement effective as of October 15, 2018 by and among BP, Fieldwood Energy LLC, Red Willow and HEDV as the owners of the MC 519 Unit Leases to the extent covering the CPN Prospect (“**CPN Prospect JOA**”) shall govern the rights, duties and obligations among such Producers associated with: (i) operations on the CPN Prospect; (ii) those portions of the Satellite Well System located on the CPN Prospect; and (iii) the decision-making process between the owners of the CPN Prospect related to this Agreement. In this Agreement, the term “**MC 519 UOA**” shall refer to both the MC 519 Agreement and CPN Prospect JOA, as applicable.

2. The Parties hereby ratify Fieldwood as the successor in interest to Noble Energy, Inc. and agree that all references in the PHA to "Noble Energy, Inc." or "Noble" or similar references shall refer to Fieldwood as of the date Fieldwood was assigned its interest in the PHA. All other terms and provisions of the PHA shall remain in full force and effect.
3. This Agreement may be executed in multiple counterparts, each of which when so executed shall be given the effect of execution of the original instrument. When so executed, the signatures of the Parties as attached hereto may be combined in, and treated, and given effect, for all purposes as a single instrument. The execution of this Agreement by electronic means shall have the same force and effect as delivery of an original document with original signatures and each Party may use such signatures as evidence of the execution and delivery of this Agreement by the Parties.
4. This Agreement shall be binding on the Parties, their successors and assigns forever.

[Signature page to follow.]

IN WITNESS WHEREOF, this Agreement is executed by each Party as of the date set forth below each Party's signature, but made effective as of the Effective Date.

BP Exploration & Production Inc.

By: Danielle Scott
Name: Danielle Scott
Title: Authorized Person
Date: December 10, 2018

Fieldwood Energy LLC

By: _____
Name: _____
Title: _____
Date: _____

Red Willow Offshore, LLC

By: _____
Name: _____
Title: _____
Date: _____

Houston Energy Deepwater Ventures I, LLC

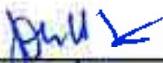
By: _____
Name: _____
Title: _____
Date: _____

IN WITNESS WHEREOF, this Agreement is executed by each Party as of the date set forth below each Party's signature, but made effective as of the Effective Date.

BP Exploration & Production Inc.

By: _____
Name: _____
Title: _____
Date: _____

Fieldwood Energy LLC

By: *RHJ* 
Name: *John H. Smith*
Title: *Sr. V.P. Land + Business Development*
Date: *12/6/18*

Red Willow Offshore, LLC

By: *Richard L. Smith*
Name: Richard L. Smith
Title: Executive Vice President - Offshore
Date: *12/14/2018*

Houston Energy Deepwater Ventures I, LLC

By: _____
Name: _____
Title: _____
Date: _____

IN WITNESS WHEREOF, this Agreement is executed by each Party as of the date set forth below each Party's signature, but made effective as of the Effective Date.

BP Exploration & Production Inc.

By: _____
Name: _____
Title: _____
Date: _____

Fieldwood Energy LLC

By: 
Name: John H. Smith
Title: Sr. V.P. Land & Business Development
Date: 12/06/18

Red Willow Offshore, LLC

By: _____
Name: _____
Title: _____
Date: _____

Houston Energy Deepwater Ventures I, LLC

By: 
Name: P. David Amend
Title: Vice President, Land
Date: November 28, 2018

THIRD AMENDMENT TO PRODUCTION HANDLING AND OPERATING SERVICES AGREEMENT

This Third Amendment to the Production Handling and Operating Services Agreement (this “**Agreement**”) is made effective as of May 1, 2019 (the “**Effective Date**”) by and among BP Exploration & Production Inc. (“**BP**”), Fieldwood Energy LLC (“**Fieldwood**”), Red Willow Offshore, LLC (“**Red Willow**”) and Houston Energy Deepwater Ventures I, LLC (“**HEDV**”). BP, Fieldwood, Red Willow and HEDV may each be referred to herein as a “**Party**” or collectively as “**Parties**”.

WITNESSETH

WHEREAS, reference is made to that certain Production Handling and Operating Services Agreement effective as of September 21, 2010, by and between BP, Noble Energy, Inc. (predecessor in interest of Fieldwood), Red Willow and HEDV, as amended by that certain (a) First Amendment of the Production Handling and Operating Services Agreement effective as of December 1, 2011, by and between BP, Noble Energy, Inc., Red Willow and HEDV and (b) Second Amendment of the Production Handling and Operating Services Agreement effective as of October 15, 2018, by and among BP, Fieldwood, Red Willow and HEDV (the “**PHA**”); and

WHEREAS, the Parties desire to amend the definition of MC 519 UOA of the PHA to reflect newly contemplated joint operating agreements, and to reflect a change in certain handling charges as more specifically set forth herein;

NOW, THEREFORE, in consideration of the promises, mutual covenants and conditions herein contained, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. As of the Effective Date, Section 1.2.3 of the PHA shall be deleted in its entirety and replaced with the following:

Except for the Operating Services with respect to the MC 519 Unit Leases described in Article IV (*Services*) of this Agreement which shall be performed by the Host Operator hereunder, the provisions of (a) the MC 519 Unit Operating Agreement effective as of January 1, 2009 by and between BP, Noble, Red Willow and HEDV (as the same may be further amended from time to time) as the owners of that portion of the MC 519 Unit Leases that covers the Record Title Interest in all of Mississippi Canyon Block 519, the Operating Rights Interest in the SE/4 and S/2 SE/4 NE/4 of Mississippi Canyon Block 519 from 0 – 19,300’ TVDSS (the “**MC 519 Unit Area**”), hereinafter referred to as (the “**MC 519 Agreement**”) shall govern the rights, duties and obligations among such Producers associated with: (i) operations on the MC 519 Unit Area; (ii) those portions of the Satellite Well System located on the MC 519 Unit Area; and (iii) the decision-making process between the owners of the MC 519 Unit Area related to this Agreement; (b) the provisions of the CPN Joint Operating Agreement effective as of October 15, 2018 by and among BP, Fieldwood Energy LLC, Red Willow and HEDV (as the same may be further amended from time to time) as the owners of the MC 519 Unit Leases to the extent covering the SW/4 and S/2 NW/4 of the Mississippi Canyon Block 519 from 0 – 14,000’ TVDSS (the “**CPN Prospect**”) (such agreement, the “**CPN Prospect JOA**”) shall govern the rights, duties and obligations among such Producers associated with: (i) operations on the CPN Prospect; (ii) those portions of the Satellite Well System located on the CPN Prospect; and (iii) the decision-making process between the owners of the CPN Prospect related to this Agreement, (c) the Retained Operating Rights Joint Operating Agreement effective as of May 1, 2019 by and among BP, Fieldwood Energy LLC, Red Willow and HEDV (as the

same may be further amended from time to time) as the owners of the MC 519 Unit Leases to the extent covering the Operating Rights Interest in (i) the N/2 NE/4, SW/4 NE/4, N/2 SE/4 NE/4 and N/2 NW/4 of Mississippi Canyon Block 519 and depths extending from the surface to 99,999' TVDSS, (ii) the S/2 NW/4 of Mississippi Canyon Block 519 and depths extending from 14,000' to 99,999' TVDSS, and (iii) the S/2 and S/2 SE/4 NE/4 of Mississippi Canyon Block 519 and depths extending from 19,300' to 99,999' TVDSS (the "**Retained Operating Rights Area**") (such agreement, the "**Retained Operating Rights JOA**") shall govern the rights, duties and obligations among such Producers associated with: (i) operations on the Retained Operating Rights Area; (ii) those portions of the Satellite Well System located on the Retained Operating Rights Area; and (iii) the decision-making process between the owners of the Retained Operating Rights Area related to this Agreement and (d) the SASC Joint Operating Agreement effective as of May 1, 2019 by and among BP, Fieldwood Energy LLC, Red Willow and HEDV (as the same may be further amended from time to time) as owners of the MC 519 Unit Leases to the extent covering the Operating Rights Interest in the SW/4 of Mississippi Canyon Block 519 and from depths extending from 14,000 – 19,300' TVDSS (the "**SASC Area**") (such agreement, the "**SASC JOA**") shall govern the rights, duties and obligations among such Producers associated with: (i) operations on the SASC Area; (ii) those portions of the Satellite Well System located on the SASC Area; and (iii) the decision-making process between the owners of SASC Area related to this Agreement. In this Agreement, the term "**MC 519 UOA**" shall refer to the MC 519 Agreement, the CPN Prospect JOA, the Retained Operating Rights JOA and the SASC JOA, as applicable.

2. Notwithstanding anything contained to the contrary in the PHA, effective as of the Effective Date, with respect to the water that is produced from
 - a. that certain well operated by Fieldwood Energy LLC and bearing API Well Number 608174116201 known as the Santa Cruz well, and
 - b. that certain well operated by Fieldwood Energy LLC and bearing API Well Number 608174118401 known as the Santiago well,
 the water handling fee set forth in Section 5.3.4(c) of the PHA for such water produced from the wells described in Sections 2(a) and 2(b) above shall be [REDACTED] per Barrel of such water allocated to each Producer on a monthly basis and Section 5.3.4(d) of the PHA shall no longer apply to such water handling fees for the life of such wells.
3. Notwithstanding anything contained to the contrary in the PHA, effective as of the Effective Date, with respect to the first well that is successfully completed within the SE/4 and S/2 SE/4 NE/4 of Mississippi Canyon Block 519 from depths extending from the surface to 19,300' from the surface TVDSS, the fee for the Oil, Gas and water that is produced from such well shall be as follows: (a) the Oil handling fee set forth in Section 5.3.4(a) of the PHA for such Oil shall be [REDACTED] per Barrel of such Oil Production allocated to each Producer on a monthly basis, (b) the Gas handling fee set forth in Section 5.3.4(b) of the PHA for such Gas shall be [REDACTED] per MSCF of such Gas Production allocated to each Producer on a monthly basis, (c) the water handling fee set forth in Section 5.3.4(c) of the PHA for such water produced shall be [REDACTED] per Barrel of such water allocated to each Producer on a monthly basis, and (d) Section 5.3.4(d) of the PHA shall no longer apply to such Oil, Gas and water handling fees for such well.
4. All other terms and provisions of the PHA shall remain in full force and effect.

5. This Agreement may be executed in multiple counterparts, each of which when so executed shall be given the effect of execution of the original instrument. When so executed, the signatures of the Parties as attached hereto may be combined in, and treated, and given effect, for all purposes as a single instrument. The execution of this Agreement by electronic means shall have the same force and effect as delivery of an original document with original signatures and each Party may use such signatures as evidence of the execution and delivery of this Agreement by the Parties.
6. This Agreement shall be binding on the Parties, their successors and assigns forever.

[Signature page to follow.]

IN WITNESS WHEREOF, this Agreement is executed by each Party as of the date set forth below each Party's signature, but made effective as of the Effective Date.

BP Exploration & Production Inc.

By: Danielle Scott
Name: Danielle Scott
Title: Authorized Person
Date: 5/14/2019

Fieldwood Energy LLC

By: _____
Name: _____
Title: _____
Date: _____

Red Willow Offshore, LLC

By: _____
Name: _____
Title: _____
Date: _____

Houston Energy Deepwater Ventures I, LLC

By: _____
Name: _____
Title: _____
Date: _____

IN WITNESS WHEREOF, this Agreement is executed by each Party as of the date set forth below each Party's signature, but made effective as of the Effective Date.

BP Exploration & Production Inc.

By: _____
Name: _____
Title: _____
Date: _____

Fieldwood Energy LLC

By: JHD L
Name: John H. Smith
Title: Senior Vice President
Date: 16 May 2019

Red Willow Offshore, LLC

By: _____
Name: _____
Title: _____
Date: _____

Houston Energy Deepwater Ventures I, LLC

By: _____
Name: _____
Title: _____
Date: _____

IN WITNESS WHEREOF, this Agreement is executed by each Party as of the date set forth below each Party's signature, but made effective as of the Effective Date.

BP Exploration & Production Inc.

By: _____
Name: _____
Title: _____
Date: _____

Fieldwood Energy LLC

By: _____
Name: _____
Title: _____
Date: _____

Red Willow Offshore, LLC

By: Richard L. Smith
Name: Richard L. Smith
Title: Executive Vice President - Offshore
Date: 5/16/2019

Houston Energy Deepwater Ventures I, LLC

By: _____
Name: _____
Title: _____
Date: _____

IN WITNESS WHEREOF, this Agreement is executed by each Party as of the date set forth below each Party's signature, but made effective as of the Effective Date.

BP Exploration & Production Inc.

By: _____
Name: _____
Title: _____
Date: _____

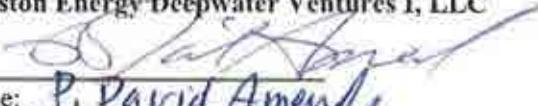
Fieldwood Energy LLC

By: _____
Name: _____
Title: _____
Date: _____

Red Willow Offshore, LLC

By: _____
Name: _____
Title: _____
Date: _____

Houston Energy Deepwater Ventures I, LLC

By: 
Name: P. David Amend
Title: Vice President, Land
Date: 5/16/2019